Report

OF THE

Bombay Chamber of Commerce

FOR THE YEAR 1948

(*Established* 22*nd September* 1836)

(*Incorporated* 10*th June* 1924)

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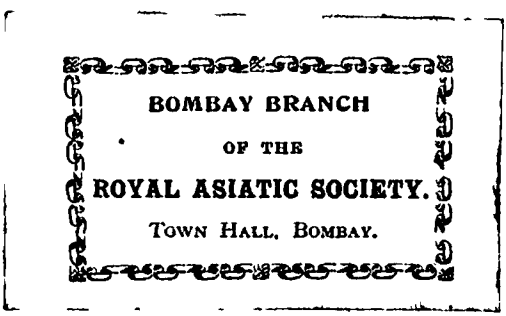

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OF THE

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FOR THE YEAR 1948

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M. Mowat	1878–79
C. Macdonald	1879–80
J. N. Graham	1880–81
E. Comber, W. M. Macaulay	1881–82
James Thorburn	1882–83
Sir F. Forbes Adam, C.I.E.	1883–84, 1884–85, 1886, 1887, 1888, 1889
A. F. Beaufort	*1890
L. R. W. Forrest	*1890, 1891, 1892
J. L. Symons	*1892
R. S. Campbell	*1893
W. R. Macdonell	*1893, 1894, 1895
A. F. Beaufort	1896
A. Abercrombie	1897
R. H. Macaulay	1898
A. Abercrombie	1899
William Greaves	1900, 1901, *1902
J. M. Dick	*1902, 1903
C. H. Armstrong	1904, 1905
H. E. E. Procter	1906
C. H. Armstrong	1907
Sir Henry Procter	1908
C. H. Armstrong	1909
R. G. Monteath	1910
Sir Chas. Armstrong	1911, 1912, 1913
Marshall F. Reid, C.I.E.	1914
T. W. Birkett	1915
J. S. Wardlaw Milne	1916
Malcolm N. Hogg	1917, 1918
Nigel F. Paton	1919
A. H. Froom	1920
H. P. W. Macnaghten	1921
Sir Frank Nelson	1922, 1923

*Part year.

Presidents.

L. S. Hudson	1924	L. A. Halsall	1936
V. A. Grantham	1925	G. H. Cooke	1937
Sir Joseph Kay	1926	A. McIntosh	1938
Sir Leslie Hudson	1927	A. K. G. Hogg	1939
Sir Hugh Cocke	1928	C. P. Bramble	1940
G. L. Winterbotham	1929	J. M. B. Gibbons	1941, 1942
J. R. Abercrombie, M.C.	1930	L. A. Halsall	1943
E. Miller	1931	A. L. Hutson	*1944
R. R. Haddow	*1932	C. P. Bramble	*1944, 1945
Sir Hugh Cocke	*1932	A. W. Percy	1946
W. G. Lely	1933	A. L. Hutson	1947
G. E. Winterbotham	1934	A. D. Finney	1948
Sir John Abercrombie, M.C.	1935		

Secretaries.

R. X. Murphy	1836–38	David Watson (Acting)	1881–82
J. E. Brenan	*1838	John Marshall	1884–98
R. X. Murphy	1838–41	Frederick Noel Paton	1898–1905
T. J. A. Scott	1841–46	J. B. Leslie-Rogers	1905–1911
John Connon	1846–57	R. E. Gregor-Pearse	1912–1920
John Mawson	1857–59	C. B. Sayer	1921–1925
J. A. Crowe (Acting)	1858–59	R. J. F. Sulivan	1925–1937
H. Brooke	1859–64	C. H. Courthope-Munroe	1937–1946
James Taylor	1864–73	L. A. Boult	Appointed 1946
John Gordon	1873–84		

*Part year.

Bombay Chamber of Commerce

ANNUAL GENERAL MEETING

THE Annual General Meeting of the Members of the Bombay Chamber of Commerce was held in the rooms of the Chamber, Mackinnon Mackenzie and Company's Building, Ballard Estate, on Thursday, 17th March 1949, at 11-30 a.m., to transact the following business :—

1. To approve and adopt the Report of the Committee of the Chamber for the year 1948.
2. To elect eight ordinary members of the Committee of the Chamber for the year 1949-50 in accordance with the provisions of Article 41.
3. To appoint Auditors of the Chamber's Accounts for the year 1949 and to fix their remuneration.

MR. A. D. FINNEY, President of the Chamber, presided and was supported by Messrs. L. A. Halsall, O.B.E. (Vice-President), G. M. Bathgate, O.B.E., W. B. Bryden, R. W. Bullock, C. J. Damala, C. R. C. Gardiner, O.B.E., H. C. MacColl, W. M. Martin, O.B.E., C. F. Morris, O.B.E., and V. F. Noel-Paton, E.D., members of the Committee.

Among those present were :—

His Excellency Raja Sir Maharaj Singh, C.I.E., Governor of Bombay; Mr. G. V. Kitson, C.B.E., Deputy High Commissioner for the United Kingdom in Bombay; Mr. Clare H. Timberlake, Consul-General for the U.S.A.; Mr. J. W. Stoodley, United Kingdom Trade Commissioner at Bombay; Shri Bhawanji Khimji, President, Indian Merchants' Chamber, Mr. R. G. Saraiya, O.B.E., Vice-President, Indian Merchants' Chamber; Mr. R. J. Inglis, New Zealand Government Trade Representative; Mr. C. P. Bramble, C.I.E., Chairman, United Kingdom Citizens' Association, Sir Chintaman D. Deshmukh, Governor, Reserve Bank of India; Mr. L. A. C. Fry, First Secretary to the Deputy High Commissioner for the United Kingdom in India; Mr. C. B. Cockaine, Honorary Secretary, United Kingdom Citizens' Association; Major D. V. Deane, C.I.E., O.B.E., R.E., the Mint Master; Mr. S. D. Shubart, Australian Government Trade Commissioner; Mr. Paul F. Geren, Consul for the U.S.A.; Lt.-Col. Toyberg-Frandzen, Danish Government Trade Commissioner,; Mr. Jal S. Rutnagar, Editor, *Indian Textile Journal*; Mr. V. S. Bhide, I.C.S., Chairman, Bombay Port Trust, Mr. Joachim Alva, Sheriff

of Bombay, Moustafa El Saadany, Consul for Egypt; Mr. C. R. Gallow, Commercial Secretary for Canada; Mr. C. V. Chari, Commissioner of Income-tax, Bombay City; the Captain Superintendent, I.M.M.T.S. "Dufferin," Mr. M. P. Kanga, Director of Industries, Bombay; Sir Vithal N. Chandavarkar, Chairman, Millowners' Association, Bombay; the President, Maharashtra Chamber of Commerce; Capt. H. W. L. T. Davies, the Harbour Master; the Consul-General for Belgium; the Consul for Cuba; Mr. R. C. Vint, Deputy Conservator, Bombay Port Trust; and Mr. R. K. Tandon, Deputy Chief Controller of Imports and Exports, Bombay.

The following members of the Chamber attended the meeting:—

Mr. S. K. Billimoria ..	Alexander & Co.
,, Edward Atkinson ..	Allen & Hanburys Ltd.
,, H. Hindermann ..	Amalgamated Chemicals & Dyestuffs Co., Ltd.
,, H. D. B. Harrington ..	Anchor Line Ltd.
,, C. J. Dawson	Andrew Yule & Co., Ltd.
,, G. A. D. Porter ..	Anglo-Thai Corporation Ltd.
,, W. H. Rooksby ..	Asbestos Cement Ltd.
,, J. Carey-Brown ..	Associated Electrical Industries (India) Ltd.
,, A. St. J. W. Shuttleworth, O.B.E.	Association of British Chemical Manufacturers.
,, M. A. Wilkinson ..	Atlas Assurance Co., Ltd.
,, E. M. Smythe	
,, V. W. B. Church, O.B.E., M.C.	The Bank of India Ltd.
,, N. Shanker Sen ..	B.B. & C.I. Railway.
,, F. P. Eranee	Bell Russ & Co., Ltd.
,, K. P. Eranee	
,, E. W. Dixon	Bennett Coleman & Co., Ltd.
,, G. R. B. Hall	
,, W. H. Jackson	Blackie & Sons (India) Ltd.
,, E. Rush	
,, A. L. Hutson	The Bombay Company Ltd.
,, Neville N. Wadia ..	Bombay Dyeing & Manufacturing Co., Ltd.
,, A. D. Gorwala, C.I.E. ..	
Sir Joseph Kay, K.B.E. ..	W. H. Brady & Co., Ltd.
Mr. J. Symon	
,, J. H. Kirk	The Britannia Biscuit Co., Ltd.
,, Hariram Bubna ..	Bubna More & Co.
,, R. C. Lawson	Burmah-Shell Oil Storage and Distributing Co. of India, Ltd.
,, R. P. Smith	
,, H. B. Walford	

Mr. T. Byramji	T. Byramji & Co.
,, R. R. Edward	Card Clothing & Belting Ltd.
,, J. Barrow	Carr & Co., Ltd.
,, Chimanlal Damoderdas .	The Central Trading Co.
,, Charles Lister	Charles Lister & Co., Ltd.
,, S. N. Adajania	
,, L. R. Atkins	Chartered Bank of India, Austra-
,, D. R. Cameron	lia & China.
,, W. Roberts	Commercial Union Assurance Co., Ltd.
,, C. W. Warrington ..	Cox & Kings (Agents) Ltd.
Dewan B. L. Hakim ..	
Mr. W. I. George	Crompton Parkinson (Works) Ltd.
,, T. W. Brough	The Crown Life Insurance Co.
,, Shivprasad Nopany ..	Daulatram Nandlal.
,, W. H. Deeth	W. H. Deeth & Co.
,, Y. A. Fazalbhoy ..	The General Radio & Appliances Ltd.
,, J. C. Burns	James Finlay & Co., Ltd.
,, C. Hooley	Fleming Shaw & Co., Ltd.
,, W. Richardson	
,, R. A. Haryott	H. J. Foster & Co., Ltd.
,, G. Gardner-Lewis ..	
,, F. Bernard-Bruls ..	French Dyes & Chemicals (India), Ltd.
,, T. G. May	The General Electric Co. (India),
,, K. J. Quick	Ltd.
,, H. C. de Mierre ..	General Motors India Ltd.
,, N. S. Macintosh.. ..	George Wills & Sons (India) Ltd.
,, Rambhai F. Patel ..	
,, A. P. Darlow	Gill & Co., Ltd.
,, J. G. Calderwood ..	Glenfield & Kennedy Ltd.
,, M. C. Watts	Godfrey Phillips (India) Ltd.
,, H. A. Henry	Grahams Trading Co. (India), Ltd.
,, T. Kemp	Greaves Cotton & Co., Ltd.
,, N. M. Wagle	
,, E. E. Cockram	Gresham Life Assurance Society, Ltd.
,, Jal N. Bhaisa	Hardcastle Waud & Co., Ltd.
,, H. Padgett	John T. Hardaker (India) Ltd.
,, E. G. Reddcliff, A.M.I.E.E.	W. T. Henley's Telegraph Works
,, F. Moore	Co., Ltd.
,, A. H. Boswell	Hill, Elliott & Co., Ltd.
,, A. Leser	Hindustan Vanaspati Manufacturing Co., Ltd.
,, A. Poole	Imperial Bank of India.
,, C. W. Middleton ..	

Mr. E. Parker	Imperial Chemical Industries (India) Ltd.
,, W. E. Wilkie-Brown ..	
,, M. W. R. Sell	Indian Oxygen & Acetylene Co., Ltd.
,, J. C. Williamson ..	William Jacks & Co.
,, F. G. Allen	Johnson & Phillips Ltd.
,, C. E. Stewart	
,, Shanker Ganesh Mankikar	F. S. Kerr & Co., Ltd.
,, H. F. Milne	Killick Industries Ltd.
,, K. G. Milne	
,, J. G. Milne	Killick Nixon & Co., Ltd.
,, D. Stewart Brown ..	
,, O. L. Prideaux	
,, H. Holck-Larsen ..	Larsen & Toubro Ltd.
,, C. S. Pettit	Lever Bros. (India) Ltd.
,, A. J. C. Hoskyns-Abrahall	
,, A. Kirkwood-Brown ..	Mackinnon Mackenzie & Co.
,, J. MacArthur-Moir ..	
,, N. J. Moon	
,, G. A. Adamson	
,, C. Scott-Noble	
,, N. K. Sen	
,, W. W. McComachie ..	
,, Manilal H. Patel ..	Manilal Patel & Co.
,, U. B. Pai	Nestle's Products (India) Ltd.
,, H. K. Tutton	Ormerods (India) Ltd.
,, H. W. Fieth	Parke, Davis & Co.
,, W. G. Lloyd	
,, A. S. Chadwick	Pearl Assurance Co., Ltd.
,, G. Wilkinson	Pilkington Brothers Ltd.
,, F. Hoops	F. Racek & Co.
,, A. Sotiriadi	Rallis India Ltd.
,, V. Corbett-Wright, C.B.E.	Royal Insurance Co., Ltd.
,, C. D. Taylor	Sandoz Products, Ltd.
Dr. T. A. Schinzel	
Mr. P. M. Strimpel	Sapt Textile Products (India), Ltd.
,, C. U. Magnusson ..	SKF Ball Bearing Co., Ltd.
,, C. A. Cunliffe	Shaw Wallace & Co.
,, F. W. Brett	Shuttleworth & Brett.
,, G. R. B. Owen	Sizing Materials Co., Ltd.
,, E. E. Trussell	South British Insurance Co., Ltd.
,, T. J. Hudson	E. Spinner & Co. (Overseas) Ltd.
,, M. H. Banks	Standard-Vacuum Oil Co.
,, L. R. Bury	J. Stone & Co. (India), Ltd.
,, W. D. Shembavanekar ..	Triton Insurance Co., Ltd.

Mr. Karsondas Tulsidas ..	Tulsidas Khimji.
,, C. J. Bollins	Turner Hoare & Co., Ltd.
,, A. H. Hume	Turner Morrison & Co., Ltd.
,, J. A. Gloag	
,, A. W. C. Brown ..	
,, J. P. Jessop	United Steel Companies (India) Ltd.
,, H. P. Mukherjee ..	Victor X-ray Corporation (India) Ltd.
,, R. H. Schuepp	Volkart Brothers.
,, J. Anderegg	
,, H. P. Cumming ..	Wallace & Co.
,, I. F. M. Turnbull ..	
,, B. A. Thorstenson ..	Western India Match Co., Ltd.
,, P. C. Manaktala ..	Allied Publishers & Stationery Manufacturers, Ltd.
,, J. F. Standish	
,, G. D. Sthalekar ..	Orient Longmans Ltd.
,, J. H. ten Hove	Trading Co. late Hegt & Co., Ltd.
,, K. B. Sethna	Martin Burn Ltd.
,, C. R. Agar	Yorkshire Insurance Co., Ltd.

Mr. L. A. Boult, Secretary of the Chamber.

The notice convening the meeting and the Auditors' report having been read, MR. A. D. FINNEY, in opening the proceedings, said :—

First I have much pleasure in welcoming His Excellency the Governor of Bombay to this meeting. As you all know, he is a very busy man and his presence here to-day is therefore all the more appreciated. We offer you, Sir, a hearty welcome and we are very glad that you continue to take a keen interest in our affairs. I am glad to welcome also our other distinguished guests.

Our accounts for the past year have been circulated and there is nothing in them calling for special comment. Expenses continue to increase but I hope the proposals to be put before members at a special meeting in May will enable us to continue working with something to spare. I must here pay a tribute to the Vice-President, to the members of the Committee, and of the Sub-Committees who have looked after the various branches of our affairs this year. The Vice-President is a host in himself and I do not need to tell you what an important part he plays in our organisation. During his absence on leave this year a lot of extra work fell on the various bodies and they set to work with a will and rendered all possible help. I am greatly indebted to them and to Mr. Boult, the Secretary, who shouldered his increased responsibilities with zeal and ability. Mr. Noel-Paton has been elected as your President in the coming year and I confidently expect that he, with the assistance of those gentlemen

who have offered themselves for election to the Committee, will carry out their duties in a manner fully in accord with your wishes and requirements.

The second year of independence sees this country settling down to its new responsibilities. The termination of British rule raised new problems of immediate urgency and grave unrest involving loss of life, and emigration of whole populations on a colossal scale followed in some parts of India. These dark forces have now spent themselves. One can have nothing but admiration for the Government which was faced with these difficulties and manfully grappled with them. Some problems have now been settled while in respect of others the solution, though not entirely in sight, may be round the corner. As I see the position to-day, India is gradually overcoming the difficulties arising from the hand-over of power and is entering upon a period of adjustment and rehabilitation ; and although this may take a long time the initial difficulties have been overcome. This is, indeed, a great achievement and cannot be too highly praised.

In any review of the past year it would, I think, be correct to say that the most outstanding event, or rather series of events, in India has been the integration of the hundreds of independent units which were the Indian States into larger administrative bodies, by the formation of some into unions and by the merging of others with the existing Provinces. That by itself is an achievement with which India's leaders have good reason to be satisfied. That it has been done at a time when there were other formidable difficulties to be faced, such as the refugee problem, food shortages and inflation, makes it all the more notable. This welding together of the country is not only of the utmost importance to efficiency in the internal administration but will increase India's stature and importance in international affairs. The men chiefly responsible—India's Prime Minister and Deputy Prime Minister—may well feel proud of what has so far been done.

But having achieved so much the Government is faced with new problems of a different kind. Having come through one storm it has not yet reached calm waters. For the economic blizzard still rages. Economic problems are, of course, not confined to India. The upheaval caused by the war has thrown out of gear many other economic systems and recovery is difficult and slow. But although the trouble is world-wide each country can nevertheless do a great deal towards solving its own peculiar difficulties.

In view of the many problems that have arisen it is perhaps not surprising, though none the less regrettable, that there has been deterioration rather than improvement in the economic

situation. Inflation is as serious a problem as ever, production has declined and so has the country's export trade. Inflation, as everyone knows, means, in a few words, " more money chasing less goods," but where is all the additional money ? One would have expected in the circumstances that the indicator of excess purchasing power, namely, the volume of notes in circulation, would still have been mounting, whereas the reverse has been the case. The figure in April 1948 was Rs. 1,317 crores but by the end of the year it had declined to Rs. 1,188 crores. Government's liberalisation of import policy in 1948 resulted in a greater volume of consumer goods being available, particularly in the second half of the year, yet the cost of living and the price indices, far from going down, have gone up. A large share of the blame for this must undoubtedly be attributed to the general decline in productivity, and there is one other factor—maldistribution. A lesser volume of money in circulation cannot by itself cure inflation if in parts of the country there is a shortage of essential goods while in other parts they are in adequate supply. What is now generally called the " transport bottleneck " is undoubtedly a factor contributing to the high price level.

Greater productivity and an adequate distribution system are, therefore, the first essentials to an improvement in the general economic position, and in this all must play their part.

Until progress is made in these two directions no one can expect a better standard of living. Higher incomes in terms only of money mean relatively little in an inflationary period ; what counts is the purchasing power of the money each one can earn. I believe that many of the factory workers in this country are at last beginning to realise that and that greater production of essential goods would soon be forthcoming if a check was put upon the misdirected activities of some of the so-called labour leaders. Any Government which seeks to put a stop to a further increase in wages courts unpopularity in some quarters, but the fact must be faced that there can be no further increase in the general level of money wages without very serious effects upon the economy of the country.

It has been fashionable until lately to blame the so-called capitalist system for the decline in production, and anyone suggesting that labour is not doing its fair share to improve matters has been a target for attack. Capitalism, however, according to a recent utterance of the Prime Minister, has been one of the successes of the past and solved the problem of production. It still has a constructive part to play, in India perhaps more than in those other countries which are more highly developed.

Much has been done in the last year to improve the lot of the working man by increased wages and amenities and—it must not be forgotten—shorter working hours. It is right that this should be so and the theory is that it should, to some extent, be repaid by increased efficiency and effort. Those of India's labour leaders who promulgate the doctrine of more pay for less work have done the country a signal disservice.

The agreement regarding the sterling balances which was made in July of last year between the Government of India and the Government of the United Kingdom was very welcome. In the first place, it settled for a period of years a question which might otherwise have been the cause of ill-feeling and removed it for a while from the region of controversy. Secondly, India may congratulate herself on having achieved so favourable a settlement. Upwards of £50 million sterling per annum for the next three years will be available to India plus £15 millions of dollar exchange for the first year. The doubt in my mind is whether the U.K. can spare all this if the sterling and dollars are fully utilised but, whatever may be the outcome, to have reached an agreement on this difficult matter is an achievement of which both sides may be proud.

The thorny subject of adjudications must be touched upon briefly. The employers think that the findings of Adjudicators bear heavily on them and, on the other hand, the workers are also under the impression that the awards fall short of their deserts. Awards, meantime, continue to flow out of the Industrial Courts. Many appear to be uncorrelated to awards in the same Province and to awards in other centres, and sometimes evince a complete disregard of industry's ability to pay. Uniformity in awards is most desirable, and to this end it is believed that the Government of India propose to set up an authority for reviewing them. This is very welcome and it is to be hoped that this will establish a set of principles for the guidance of those concerned, and that assessors will be appointed to assist adjudicators to whom the adjudicators may refer technical matters and save much of the Court's time. A further point is that the country-wide aspect of an industry should not be ignored and no part of the country should be placed at a disadvantage in relation to its competitors elsewhere.

To turn to commerce itself, I would say that in the commercial life of India there has developed a lack of confidence in the future, which is everywhere apparent. The value of securities has fallen and this has been accompanied by a rise in the index number of wholesale prices. Thus the decrease in real values is far greater than appears from the figures and in the case of industrials of variable yield, which to-day are worth little more than 50

per cent. of their value in 1946, the descent has been catastrophic and amounts to hundreds of crores of rupees. This may, of course, be partly due to natural causes. In war-time, when industry is concentrated on making munitions to an unlimited extent, prices rise and the value of securities increases. When the war is over and trade resumes its normal channels, it would not be surprising if a reaction set in and a downward tendency of values became apparent. Elsewhere in the world, however, values are still being maintained. In the U.K., for instance, the index price for industrials, which is taken as 100 in 1924 and 114 in 1939, had risen to an average of 170 in 1946. The average figure for 1947 was 178 and in December last it stood at 175. Thus the index figure for the U.K. is now slightly higher than in 1946 and, although the high value of these securities is somewhat inflated, it offers a strong contrast to the drop which has taken place in this country. Here the investor is not only doubtful whether he will get any return for his money but he has little, if any, money to invest owing to heavy taxation.

Government must surely be interested in, and should encourage the accumulation of savings by the individual, both large and small. For on this rests the future economic development of the country. It is surely wise to encourage the individual to save and keep him hopeful and anxious to improve his circumstances rather than that he should reach such a point that he loses interest and turns his savings into cash rather than run the risk of losing them altogether.

It may be asked how this affects the working man, the man with an income too low to attract taxation ? He is getting better wages than before and better terms in many other ways. What does it matter to him if the value of securities has greatly diminished ? All I can say is that in times of economic depression all are alike affected. Neither rich nor poor can escape from its effects. The employer, on the one hand, loses business and, on the other hand, the worker goes short of employment. The Capital Gains Tax has now been abolished. This tax has been a burden on commerce and was, I believe, a disappointment to Government. Thus no one will lament its removal and I think this may help to restore confidence. The Central Budget shows a more realistic approach to the solution of the problems of the present time than some of its predecessors, and the removal of this tax is evidently designed to remedy this particular trouble. No upward tendency in the stock market prices, however, can yet be seen, and it is possible that more drastic measures may be required.

To touch briefly on some of the other provisions of the Budget, the removal of the export duty on oil and oilseeds is

again designed to restore to health an ailing body, namely, the flagging export trade. I hope it will have that effect, but markets once lost are difficult to regain and foreign trade is a shy bird difficult to recapture.

Finally, a genuine effort has been made to encourage private enterprise and new industrial development by the enhancement of the depreciation allowances on new plant and equipment. In all these cases the Government seems to understand what is wrong and has tried to help. The question only is whether they have gone far enough.

I said a few words last year on the subject of nationalisation. This question is still alive and a policy of nationalisation is being tried out in the U.K. on a large scale. Here nothing much has been done but an Industrial Policy has been formulated and we have been told that with a few exceptions there will be no nationalisation for 10 years. Subsequently Ministers have endeavoured to tone this down. They say that any kind of full nationalisation cannot take place for a fair number of years or more recently, in Bombay, that it is neither the desire of the Provincial Government nor of the Centre to hasten the nationalisation of industries. Such statements are intended to be reassuring but as long as this policy remains on the Agenda they do not have this effect. Although in the U.K. the policy of nationalisation has not perceptibly weakened the confidence of the public, judging from the continued strength of the share market, it must be remembered that the U.K. is in a more advanced stage of industrial development than India. India wants pioneers and if she decides that their efforts are to be hampered and the fruits of their enterprise be taken away, she will not get them.

Nationalisation has been tried out already and I do not think it is unfair to say that it has been found wanting or at least that it has not proved itself. In Canada two railway systems ran side by side for many years before the second war and it used to be said that the Canadian Pacific Railway, as the principal taxpayer in Canada, was the chief subsidiser of its competitor, the Canadian National Railways. The latter ran at a loss continously while the former was making profits, the difference in one year, 1936, being on the one hand a loss of $904 millions and on the other a profit of $23 millions. In England the collieries and the railways have been nationalised and in each case the cost of coal and the cost of rail travel has gone up considerably. The collieries showed a heavy loss after one year's working and thus Great Britain's chief natural asset was converted into a liability, perhaps only temporarily, for this year's working shows an improvement. But the results so far achieved by this policy do not give sufficient grounds for believing that the system is justified commercially. Statistics are not always convincing unless you

can see all round them but here are some figures for coal production in the U.K. Production has certainly increased since 1947 when the coal mines were nationalised but steel production, which is not nationalised, has increased far more. If the index figure for coal production in 1947 was 105 it had risen to 110 in 1948. But steel had risen in the same period from 106 to 120. Furthermore, the corresponding figure for coal production in 1935 was 125, to which present-day nationalised production has not nearly reached.

The steel industry in the U.K. is to be nationalised not because it is inefficient but because it is too powerful. But if the intention is to establish political control irrespective of cost that is the road to ruin. Most of you have read "David Copperfield" and I believe this famous novel is a frequent item in the curriculum of schools in India. You will all therefore be aware of the advice given by Mr. Micawber to David :

"My other piece of advice, Copperfield," said Mr. Micawber, "you know. Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery. The blossom is blighted, the leaf is withered, the God of the day goes down upon the dreary scene, and in short you are for ever floored."

When all industries are nationalised, where will the missing sixpence be found ? From a different angle, the following extract from a book written by T. R. Glover is of interest : "The Roman Empire fell at last, sick unto death, and beyond recovery, as we now see from over-administration."

Let us hope that neither India nor the United Kingdom follow this bad example.

By the end of this year the once thriving cotton trade of Bombay had become almost completely paralysed. The first symptoms of illness appeared during the inevitable restrictions of war-time. They became more serious with the partition of India which turned the familiar Pakistan varieties into foreign growths, inflated by export duties and available only through unfamiliar channels, and with the increased emphasis on the production of foodgrains. The final stroke came with the reimposition of ceiling prices that accompanied the renewed control of cloth and was designed to reduce its cost. Whether the widespread substitution of food grains for cotton was in fact a wise policy from the agricultural point of view and whether the ceiling prices fixed were in all the circumstances reasonable, are large and complicated questions. Certainly the supply of raw material to the Indian mill industry at fair prices must be assured

and there are bound to be some casualities in the war against inflation. The fact remains that in Bombay, which used to be one of the largest markets for cotton in the world—where it was said always to be possible to find a buyer or a seller of any description of raw cotton—business has been reduced to the merest trickle.

The fixation of ceiling prices at a fictitiously low level has forced the price of *kapas* in up-country markets to a level at which in many cases they can only be legitimately bought on a calculation weighted in favour of the seller. No merchant can afford to pay these prices, and so cotton goes direct from the interior to the mill. Incidentally, another most regrettable feature of the present situation is the mixing of cotton seed. In a desperate shortage inferior *kapas* is passed off, especially to inexperienced buyers, as the equivalent of the improved varieties; and the laborious task of producing and maintaining a pure strain will in many districts have to begin all over again.

The fate of the Bombay cotton market has perhaps been inevitable, but the value of the asset that is in jeopardy should not be disregarded. Shortages of raw material and a sellers' market for manufactured goods will not go on for ever. The time may soon come when the grower wants outlets other than the indigenous industry, the economy of the country cries out for increased exports and the mills themselves require accurately selected cotton at a finely cut price. The channel, therefore, which the merchant provides between the producer and the consumer should not be allowed to fall into disuse. Even if the firms concerned can survive the financial strain of a period of inanition, the technical aspect must be remembered. The cotton merchant literally needs to keep his hand in by constant contact with the raw material, and the ever-changing nature of the seasons and crops require continuous study. It is greatly to be hoped that some means will be found to prevent the dissipation of the fund of experience and skill which has been built up by the cotton trade of Bombay.

It is very difficult to make a comprehensive survey of the export trade of India, because the range of articles concerned is very wide and the available figures are always in arrears. It is, however, common knowledge in business circles that exports have been decreasing for some time past and unless something fairly drastic is done about it, this tendency is likely to continue. There are many reasons for the decrease. The main ones are, firstly, the existence of controls, secondly, the disparity between prices in India and overseas and, thirdly, the smaller surpluses which are available of the various commodities, whether it be raw cotton, raw jute, seeds, oils, textiles, etc. There has been

quite a lot said and written in official as well as non-official quarters of the need to stimulate exports and all sorts of theories and recommendations have been put forward, but unfortunately very little has been done or achieved from a practical angle. There are countless examples of indecision, delays and changes which all serve to hamper business in exports. What is required is consistency, liberalisation, removal of controls, abolition of export duties and better transport facilities which will give the impetus which is now so lacking. The need is urgent because India, as everyone knows, has to import very large quantities of foodstuffs to feed her people and ultimately the cost of these importations has got to be set off against the value of exports.

To be more specific about the exports from Bombay, the main commodities concerned are :—Oilseeds and oils, raw cotton and cotton textiles.

I have already referred to oilseeds and oils. Apart from the export duties, a considerable volume of trade has been lost to India in the last 12 months owing to the methods of issuing licences and delays in doing so. The future is not very promising because Indian prices are in most cases out of parity. In cotton textiles, the exports have been considerably reduced owing to high prices prevailing in India, the incidence of export duty and Japanese competition.

Although the question of port congestion in Bombay has been freely ventilated in the Press and discussed by Chambers of Commerce, industrialists and Government officials until the subject is threadbare, I make no apology for introducing it here. The rapid loading and unloading of ships, and the prompt clearance and despatch of goods is so important to the commercial life of Bombay and this trouble has been so prominent a feature of our year of office that a speech of this kind would be incomplete if no reference is made to it. I would like to say that Bombay is not the only port where shipping meets with serious delays. In fact, I could name two regions in which the situation is or has been worse than in Bombay, namely, the East African Coast and South America. Even so, all who take a pride in this city should maintain unceasingly their efforts to improve the situation.

In the year 1947 there was also serious congestion in the port but in the early months of last year the situation had returned to normal. At the beginning of August, however, the position got worse and during that month ships were being held up for as much as 14 days awaiting a berth. Now the period of delay is much reduced. If a port is fully efficient a ship should be able to get a berth immediately, or in exceptional circumstances

might be delayed for 24 hours. The present situation is expensive for the merchant as well as the shipowner and the increased cost of handling imported goods must be felt by the general public in the end by way of increased prices.

At present there is not enough room for the goods which are coming in and they pile up in the sheds because there is nowhere to move them to. When ships are brought alongside a shed, the shed may contain cargo from half a dozen other steamers and the steamer frequently has to stop discharge because the shed is full. Thus further delays are incurred after the ship has entered the docks and the difficulty of sorting the cargo can be imagined. The quantity and mixture of goods has to be seen to be believed. In order to clear space for incoming cargo, heavy goods are sometimes removed a considerable distance from where they were originally landed and then piled one on top of the other, so that a package that has been landed correctly from the steamer sometimes cannot be found for months. On the other hand, the management have been faced with many difficulties. There is no doubt that imports into Bombay have greatly increased for various reasons, and simultaneously storage space has decreased, partly as a result of the serious explosions which took place during the war. The damage caused by those explosions has not yet been made good and adequate covered accommodation for cargo is thus lacking. Steel for building new sheds is difficult to obtain and there are also railway difficulties which retard the flow of commodities from the steamer to up-country. Furthermore, labour has been far from co-operative.

A bonus scheme for labour has, however, been introduced which is giving promising results, more railway wagons are being made available, sheds are being erected and such cargo as can be moved is being shifted out of the docks area. Energetic steps are in fact being taken and an improvement is being felt. Whether this could, or should, have been done months and years ago is another matter, into which at this late stage it is probably fruitless to inquire.

It is difficult to cover all the ground in a review of this kind in the limited time at my disposal but I have tried to make mention of those features and tendencies of commerce which have appeared to be of most interest during the past year. I am afraid that the general impression left on my hearers will be somewhat gloomy. It cannot be denied that at the present time commerce in India is in the doldrums and this is not solely due to the war, the effects of which are beginning to wear off. Looking into the future, however, to the vast mineral wealth of India, to her agricultural resources which if developed by a wise policy might produce enough food to render her independent of foreign

supplies, and to the industry of the peoples of India, it is impossible to believe that the future is not bright and that prosperity will not finally be achieved.

I now have much pleasure in proposing that the Report and Accounts be and are hereby approved and adopted.

MR. V. F. NOEL-PATON, President-elect, said:

Your Excellency and Gentlemen,—I rise to second the President's Resolution and, as is customary, will briefly touch upon one or two less prominent, but nevertheless, pressing problems which confront the Chamber.

First comes the difficulties arising out of the Bombay Shops and Establishments Act. We all know that in this city there are or were shops and establishments of one sort or another the employees of which had to work unduly long hours. A check was put upon this by the Bombay Shops and Establishments Act which came into force in 1939. In October last year a new Act to consolidate and amend the law in this regard was introduced and passed in one day and came into force on 11th January this year. If conditions of work in certain establishments have to be controlled by legislation it cannot be expected that commercial esablishments should be exempted, but in some directions the revised Act and Rules cause a great deal of quite unnecessary inconvenience and expense.

Under this new Act an employer has first to complete a form setting out various particulars regarding his business and for the privilege of sending this to the prescribed authority he has to pay a fee. If, after doing this, he then has occasion to engage any extra men, that constitutes a change which has to be notified and for which a further fee—although a negligible one—has to be paid. Then every employer has to maintain a special register in which refusal of leave has to be entered. And what is refusal of leave? Employees know what leave they are entitled to, as that forms one of the conditions of service, but everyone knows also that the time when leave can be taken is subject to the exigencies of business. If an employee asks to be given his leave from, say, the 1st April, but it cannot be arranged until, say, 1st May, that, it appears, is a refusal and must be duly noted in the special register. Can anything be more unnecessary, unless perhaps it is the requirement of rule 18 by which every employee has to be given a "leave book"? Even in days when terms and conditions of service were not so regulated by legislation and awards of tribunals every office worthy of the name kept a record of leave due and granted to the staff. Apart from that, however, the Rules require a register of leave in Form M to be maintained, and that again contains a column for leave applied for and refused.

Section 18 is another interesting part. It provides that every commercial establishment shall remain closed on one day every week, and on that day it is illegal to call any employee to it. A study of the definitions of " employer " and " employee " then reveals that the only person permitted to enter the premises on that day is the owner or one having ultimate control over the affairs of the establishment. To put it plainly, the Chairman or Managing Director may set foot inside his office, but no one else, not even his No. 2, or, say, a Departmental Manager may do so. This particular section is bound to cause just about as much inconvenience to many offices—shipping offices for example —as it would be possible to think out—and at the same time will contribute to a general slowing down of business. It may be a proper provision to apply to a tea shop but not to a commercial office. How are cables to be dealt with ? Time waits for no man in international trade.

I have referred to these few points to illustrate what I can only describe as some of the absurdities of this piece of legislation. This Chamber and, I have no doubt others also, made recommendations to Government in the hope of getting the Act made more reasonable and better suited to the needs of the situation, but without success. Let us only hope that it will be reasonably administered.

It is not that we object to an enactment to improve conditions of work where improvement is desirable, but we are opposed to any development which, in our opinion, may tend by unnecessary complications to impair Bombay's position as one of the world's great trade centres.

There is a good story of an Assistant, long since dead and gone, who was going out of the office one afternoon with his golf clubs over his shoulder when he was met by the senior partner returning from some meeting or other. " Young man," said the latter, " are you aware that office hours are 10-30 to 6?" " Oh no Sir," replied the Assistant, " you are mistaken, Sir, I am in the Shipping Department where all hours are office hours."

Another Provincial measure which we have had occasion more than once to criticise is the Sales Tax Act and last month we had good reason to do so again, on the announcement that this tax was to be extended to goods exported from the Province. When this proposal became known the Millowners' Association and this Chamber protested strongly to Government and expressed the view that it was a most retrograde step. On the evening of the 24th February the Hon'ble the Finance Minister received a deputation consisting of Mr. Neville Wadia and Mr. Aiyer from the Millowners' Association and Mr. Damala and the Vice-

President representing the Chamber, when the damaging effect of this proposal on inter-Provincial trade and, more particularly, on the country's export trade was again stressed.

By whatever name it may be called the application of this tax to exports would be tantamount to an export duty, and apart from the question of whether it is sound policy to put any taxes on export trade we have expressed the view that it is wholly wrong for this to be done, if it has to be done, on any other than all-India basis.

It is satisfactory to be able now to record that the Finance Minister has agreed that the tax shall not apply to exports to Pakistan and territories overseas.

Another new impost on industry is the extension of the electricity duty. The whole principle of taxing electricity is unsound on the grounds that it is a tax on progress. Now, with this tax put upon power used for industry, we find a breach of one of the basic principles of social economy, namely, that tools for the production of wealth should be free from taxation. It has been submitted that elsewhere in the world taxes are levied on electricity ; but almost invariably they are levied on communities of which every householder is a consumer of electricity. Further, such taxation seldom exceeds 3 per cent. whereas the incidence of the tax at 3 pies on every two units of industrial power ranges in Bombay City as high as 33 per cent. and averages something like 20 per cent.

The Report was adopted unanimously.

HIS EXCELLENCY THE GOVERNOR said :—

Mr. President and Gentlemen,—I am very glad to meet you this morning and I appreciate your kindness in inviting me again this year. India has reached another milestone on its journey of political, social and economic betterment, but the problems to which you and I referred last year have not ceased to exercise our attention. Foremost is the still urgent and persisting need for increasing the production of foodgrains. Then there are the basic requirements of industries, such as steel, non-ferrous metals, coal, cement, etc. We also have to provide better housing and storage facilities, to accelerate transport and last but not least to eliminate the bugbear of inflation which still engrosses general attention. The able and experienced Finance Minister of the Central Government, the Hon'ble Dr. John Matthai, has referred in his recent budget speech to these matters and has explained how the Central Government proposes to deal with them.

In the provincial sphere our own capable Finance Minister, the Hon'ble Mr. Vaikunth Mehta, has given an earnest of this

Government's solicitude in the welfare of the people and more especially the poorer classes.

Mr. President, on behalf of both the Central Government and the Government of Bombay I thank you sincerely for your friendly appreciation of their efforts and for the moderation of language in which you have couched your speech. Undoubtedly, the territorial and economic integration of numerous States and other erstwhile isolated units, to which you have referred, has been by no means an easy achievement, and I am sure that all citizens of India—irrespective of race and creed—will join with you in paying a tribute for this signal success to the Deputy Prime Minister of India and the Prime Minister. Nonetheless these beneficent measures as well as the weighty and difficult problem of rehabilitating refugees have added to the responsibilities of our Government, in so far as projects for economic betterment which were designed for the benefit of the normal residents of this Province have inevitably now to be extended to the areas which have merged and will merge with us and, as Mr. Mehta pointed out in his budget speech, it is not yet certain whether the accretion of revenues from these areas will balance the enhanced expenditure that has automatically resulted.

The question of inflation, it must be admitted, remains a will-o'-the-wisp. As you know, the Government of India continue to devote their attention to it. After consulting economists, representatives of industry and labour and others, various measures were launched which have been enumerated by Dr. Matthai and which I need not repeat. The Government of Bombay in its turn has co-operated with the Central Government in its desire to undertake anti-inflationary measures. It has made efforts to balance its budget, to keep capital expenditure within the limits of its current borrowing capacity and to refrain from drawing on accumulated balances and reserves for liquidating investments made out of its various funds. It has also decided to soft-pedal the programme of post-war reconstruction and to extend beyond its original target limit the period in which seventy-five crores of rupees were to be spent. An Expenditure Priorities Committee has been constituted which discriminates carefully between emergent and non-emergent, avoidable and unavoidable, productive and unproductive expenditure. An order of priority of expenditure has been decided for the following beneficent objects, namely, agriculture, irrigation, housing, electricity, industries, education, communications, public health, co-operation, labour welfare and the nationalisation of road transport.

You refer to the decline in the volume of currency notes in circulation. The Government of India realises that it is both necessary to reduce the volume of active purchasing power in

circulation and at the same time to increase the production and circulation of goods. Restrictions on imports are being revised from time to time and encouragement is being given to indigenous industries so that they can speed up production. This year's budget of the Central Government should give some hope to industrialists and I trust that it will be an incentive to the investment market to abandon at least some of its present lethargy. Appreciable tax relief has been provided in the budget. The capital gains tax has been withdrawn and there is also some reduction in the income-tax and super-tax. Depreciation allowances have been liberalised, while, though the limitation of dividends still exists, the extra profits which cannot be distributed as dividends can be used for capital formation. I know that you dread the prospect of a wholesale nationalisation of industries. You must, however, have derived comfort from the recent speeches on this subject of no less than three important Ministers of the Central Government, namely, the Deputy Prime Minister, the Finance Minister and the Minister of Industries, and surely the note of optimism struck by Dr. Matthai in replying to the opening debate on the budget and his reference to financial possibilities a year hence must have heartened you. If not, I am only beating the air to-day!

It is a happy sign that industrial disputes in India as a whole have diminished during the past year. With improved co-operation between capital and labour, a savings drive by consumers and the cumulative result of measures adopted by the Central and Provincial Governments we may reasonably look forward to a decrease in inflation, a fall in the cost of living, an increase in the wealth of the country in terms of goods and in time a higher *per capita* income. I understand that the level of production has been well maintained since the resolution on industrial peace, and while labour efficiency can be still further increased, industry must also contribute its full share by providing conditions in mills and factories conducive to greater production. Can even our most progressive industrialists claim that at least in the past adequate attention has been paid by them to the reasonable needs of labour? I fear that the answer must be in the negative. The fact that some other countries have been more or less remiss can only mitigate the offence—for such it is—but cannot exonerate it. Much leeway has still to be made up to bring conditions of work in Indian factories to a satisfactory level. Problems of health and comfort have to be met. You, gentlemen, can do much to help. At the same time I appeal to the friends of labour to impress on workers the vital necessity for increased and ever-increasing production, as without it we shall perish. With it prices —unconscionably high at present—are bound to fall, as has been the case recently in the United States of America, the United Kingdom, France, Belgium and several other countries. One

weapon will, I hope, be shunned by workers as poison. I refer to large-scale strikes such as have been threatened in railways, posts and telegraphs and other departments of public utility. They will bring no relief to the worker and instead will rouse the resentment rather than the sympathy of the great majority of our people.

Simultaneously with the increase in industrial production the Central Government and the Government of Bombay have launched a drive for increased agricultural output. This is imperative. In terms of percentages India's deficit is small, but in total magnitude it is extremely heavy. The cost of importing food from outside and the consequential freight charges are, I believe, 130 crores of rupees, a truly stupendous liability. If we could produce sufficient food for our needs or, at any rate, reduce appreciably the existing deficit, most of our financial problems of to-day would be solved. The Government of India, I can assure you, are determined to tackle the food question with determination and without delay, and before long their programme will be placed before the country. I should not be surprised if some time limit was imposed. Our Government will very gladly co-operate with them. The Government of India have many schemes in hand such as multiple river projects, increased soil and crop research, mechanical cultivation, extended use of fertilisers and so forth. My Government has also undertaken projects to increase the production of crops through similar measures, for instance, there are the Mahi and the Mashwa projects in Gujerat, the Gangapur scheme in Maharashtra and the Ghataprabha project in the Karnatak. The surveys of the Koyna, Tapti and Narmada projects are also well under way. Provision has been made for repairs in existing wells and tanks and the construction and excavation of new wells, bunds and tanks, for the installation of pumping plants and for the increased supply of fertilisers, further mechanical cultivation through tractors and anti-erosion methods. In addition, a comprehensive scheme for bringing under cultivation three lakhs of acres of waste lands, for clearing eight lakhs of acres of weed-infested land and for settling agricultural colonists in newly opened areas has been framed and is under examination by the Government of India. Last but not least there is the Bombay Electric Grid Scheme and the decision to utilise electrical energy from the Jog Water Falls and the Kalinadi.

You make a reference to the cotton trade in this province. Control of the prices of cotton was a logical concomitant of control over cotton textiles. Both the Central Government and this Government have paid much attention to an increase in the production of good cotton. With the heavy deficit in food supplies and our dependence on foreign countries for food it is not possible

to enhance at present the acreage under cotton, but the Indian Central Cotton Committee and the Government of Bombay have been doing their best to increase the yield per acre and to improve the quality of the cotton produced. Most of the long-staple and medium-staple cotton was grown in areas which now form a part of Pakistan. In order to improve the quality of cloth and also to increase the money incomes of cotton growers propaganda is being carried on for the sowing of improved strains of medium and long-staple cotton in preference to short-staple cotton and preferential prices have been fixed for cotton of better varieties. Recently there has been a representation for the revision of the margins between the ceiling prices fixed for cotton of different varieties. This will be examined by the Government of India. The problem of mixing inferior cotton with cotton of better varieties, to which you refer, is not new, and the Government of India has already undertaken legislation to prevent this undesirable occurrence.

Then I come, Mr. President, to the question of exports which you have raised. The Government of India is not unmindful of the need to stimulate exports but, as its Finance Minister pointed out in his budget speech, though the overall position of the balance of trade is not disheartening, our balance of trade as far as hard currency areas is concerned is not satisfactory. With the abolition of the export duty on oils and oilseeds we hope to improve our dollar position though the pace of exports has to be regulated by the pace of domestic production and consumption. The exportable surplus is bound to increase gradually with a rise in local production. You mention that what is required is consistency, liberalisation, removal of control, abolition of export duties and better transport facilities. These are matters mainly for the Central Government. With greater marketing intelligence, however, and better contacts and a freer flow of international trade, local prices are likely to come into line with international prices of goods which enter the international trade account. On the question of transport, regarding the inadequacy of which you are legitimately complaining, the Honourable the Railway Minister in introducing the Railway Budget has assured us that there will be further production of locomotives at the Chittaranjan Workshops, that over 800 locomotives have been ordered from abroad and that measures have been undertaken to enhance the operating efficiency of the railways. I have been assured by high authorities that there will be greater transport facilities within the next twelve months. You have referred, Mr. President, to the congestion at the docks. It is necessary, I agree, to provide for adequate storage space and quicker movement of goods and I am glad to note that you appreciate that steps have been taken in this respect and that there is some improvement already. On the question of transport

generally, both the Hon'ble Dr. Matthai in his address to the Calcutta Chamber of Commerce and the Railway Minister of the Government of India in his budget speech have asked for co-operation from merchants and firms in taking prompt delivery of goods from railway wagons reaching their destinations and from railway and dock storage yards. Increase in rolling stock and locomotives will be, I fear, a comparatively slow process in view of the fact that we have to depend much on imports from abroad and we have not got adequate stocks of steel for local production. Co-operation from merchants and firms is, therefore, all the more necessary.

I now come to the points which you, Mr. Noel Paton, have raised. You have referred to certain forms and registers which have to be kept under the Bombay Shops and Establishments Act. This legislation was undertaken by Government on the recommendation of a Committee of which Mr. Shantilal Shah was Chairman. The register for entering refusal of leave is not to be maintained by employers but by the Inspector. The relevant rules and forms in respect of the leave register and the leave book are similar to those under the Factories Act. Commercial establishments have been treated on the same lines as factories in this respect. Rule 19 which provides for an age certificate is based on a like rule under the previous Act and is similar to a rule under the Madras Shops Act. It will protect children, that is to say, persons under twelve years of age. As regards the compulsory weekly closing, the provision is generally salutary, but, where hard cases need exemption, it is open to the parties to apply under the Act.

Then you refer to the sales tax on goods exported from this Province. This tax does not apply to exports to Pakistan or other foreign territories with the exception of a few foreign possessions such as Goa which fall within the geographical boundaries of the Indian Union. It applies only to articles exported to other Provinces and States within the Indian Union. The rates of levy which are yet to be notified are statutorily limited to half the corresponding rates obtaining in the Province itself. The ordinary rate in this Province is half an anna in the rupee and for exports, therefore, the corresponding maximum is one-quarter anna in the rupee. The Government of Bombay has had to resort to this tax in the absence of an alternative means of raising a substantial portion of the amount of four crores that it has to pay to the Government of India as the provincial share of the subsidy on imported foodgrains. At the Finance Ministers' Conference which was held in Delhi last October it was found that very few of the other Provinces were prepared to agree to the exemption of another Province's exports from the sales tax. They were already taxing such exports and would not agree to sacrifice the revenue.

It was agreed at the conference that the rate of levy on certain raw materials and manufactures exported from one Province to another should be limited to a quarter anna in the rupee and the tax now levied by the Government of Bombay is entirely within the framework of this agreement. The rate of levy is so low that the tax should have no detrimental effect on the trade and industry of this Province. As the tax does not apply to exports abroad it should not militate against the export drive. All articles which enter substantially into the poor man's cost of living are exempted from the operation of the sales tax. Even pepper, tamarind, chillies and turmeric have been exempted. Exemptions also include text books and exercise books. The list of exempted articles in the Bombay Act is, I believe, twice as large as the most liberal of other provincial sales tax lists. Your criticism of the duty to be imposed on electricity consumed for industrial purposes has been answered by Mr. Vaikunth Mehta in the Bombay Legislature. As explained by him, the duty will not be a tax on progress and in view of the fact that the pitch of the duty is comparatively much smaller than the price of other fuel used by industries, the cost of production need not be materially increased nor need the output be decreased. It is incorrect to say that the taxation which has been incorporated in the budget has been necessitated merely because of the sacrifice of the revenue from excise. The Finance Minister of the Government of Bombay has given in his budget speech the facts and figures which have resulted in the deficit of four crores which has to be made good in order to balance the budget. Apart from prohibition there have been other factors, for instance, the resettlement and rehabilitation of displaced persons and above all the subsidy on account of the imported food which our Province has to bear to the extent of nearly four crores.

I share, Mr. President, your optimism that taking into consideration the vast mineral wealth of our country, our agricultural resources and our industry, the future is bright and that greater prosperity will ultimately come. Every one will admit that the optimum economic amelioration of a vast country like ours with its teeming millions cannot be achieved in a few years. Patience, enterprise, hard work, co-operation between labour and capital, co-ordinated action by the various sections of the body politic, including Government, and last but not least a spirit of confidence are bound in the course of time to yield fruitful results. I earnestly request you, therefore, not to lose heart.

I thank you once again for the friendly welcome which you have extended to me to-day. Mr. Finney, a well-known and respected figure in Bombay, has worked hard in a difficult year. His mantle has now fallen on the shoulders of another friend, Mr. Noel Paton. From what I know of him I am confident that

the destinies of your Chamber are safe in his hands. I wish all happiness to you, gentlemen, individually and collectively. *Jai Hind.*

MR. R. H. SCHUEPP, in proposing a vote of thanks to the Committee, said :—

Item 3 on the agenda is the next Resolution, i.e.,

> "That a vote of thanks be tendered to the President, the Vice-President and the members of the outgoing Committee."

but I would not like it to be more than a mere formal matter. Your President, Vice-President and members of the Committee have worked very hard for us all during their year of office, they have given us a lot of their time, which they could ill spare, without applying to themselves the benefits of the Shops Act.

I think you will all agree with me if I make a slight change in the wording of the resolution and propose a very warm vote of thanks to the President, Vice-President and members of the outgoing Committee.

MR. G. A. D. PORTER seconded the proposition which was carried with acclamation.

ELECTION OF COMMITTEE.

THE PRESIDENT stated that under the provisions of Article 41 of the Chamber's Articles of Association the following eight gentlemen had been selected by the retiring Committee in conjunction with the incoming President and the Vice-President to serve, if elected, as ordinary members of the Committee for the year 1949-50 and shall be deemed to have been duly proposed for election :—

MR. C. J. DAMALA.
,, A. D. GORWALA, C.I.E.
,, H. D. B. HARRINGTON.
,, R. C. LAWSON.
,, H. C. DE MIERRE.
,, C. S. PETTIT.
,, MANEKLAL PREMCHAND.
,, N. M. WAGLE.

He then submitted each name to the meeting and on a show of hands each was declared duly elected.

APPOINTMENT OF AUDITORS.

MR. C. D. TAYLOR proposed, MR. J. C. BURNS seconded, and it was resolved :—

"That Messrs. Sharp and Tannan be and are hereby appointed Auditors of the Chamber's accounts for the year 1949 at a remuneration of Rupees two hundred and fifty."

MR. T. J. HUDSON in proposing a vote of thanks to His Excellency the Governor, said :—

Your Excellency, Mr. President, Gentlemen,—It is my privilege to-day to move a vote of thanks to His Excellency Raja Maharaj Singh. This meeting is nearly over and other duties probably await His Excellency, but it would not be right that we should disperse without letting him know how much we have valued his presence here this morning. His Excellency came to our meeting last year—the first Indian Governor of this Province to do so—and he was then indeed welcome, as he is again to-day, and will be at future meetings, which we venture to hope he will be willing to attend. Except in 1926, when Lady Wilson was suddenly taken ill and in 1942, when Sir Roger Lumley was called to Delhi at the time of the Cripps Mission, the Head of this Province has honoured the Chamber by addressing the members at our annual meetings for the past twenty-eight years. We have always valued this very highly and we are, therefore, the more grateful to you, Sir, for honouring us again to-day and for the interesting address you have given us. We clearly cannot and we do not expect you to comment on all the questions, which closely concern us as business men, which may be raised at meetings such as this, but we do value the advice you may feel disposed to give us.

We feel that so far we have taken a not unimportant part in the development of this great country and the fact that you are willing to give up time to attend our meetings and to listen to what we may have to say encourages us in the belief that we still have a large part to play in its further development.

Gentlemen, I ask you to support this resolution and by your acclamation to make it clear that however haltingly worded it may be, it is a genuine expression of our thanks to His Excellency for coming here to-day.

The proposition was carried with acclamation.

A vote of thanks to the President terminated the proceedings.

Bombay Chamber of Commerce

ANNUAL REPORT FOR 1948.

ASSASSINATION OF MAHATMA GANDHI.

At a special meeting of the Committee, convened on 2nd February 1948, the following resolution was unanimously adopted and forwarded to the Prime Minister of India :—

"The Committee of the Bombay Chamber of Commerce, at a meeting especially convened this day, put on record on behalf of all members of the Chamber their profound sorrow at the brutal murder of Mahatma Gandhi on Friday evening, 30th January 1948, which has deeply shocked all communities, not only in this country but in all other countries where his great services to the cause of peace and humanity are known. They desire to convey to the Prime Minister of India and, through him, to the people of the Dominion of India their sincere sympathy in the sudden and irreparable loss which the nation has sustained."

ELECTION OF PRESIDENT OF THE CHAMBER FOR THE YEAR 1949-50.

In accordance with the prescribed regulations, MR. V. F. NOEL PATON was elected President of the Chamber for the year 1949-50.

BOMBAY PORT TRUST.

CHAMBER'S REPRESENTATIVES.

The Chamber's representatives on the Board of Trustees of the Port Trust during 1948 were :

MR. R. W. BULLOCK	(Forbes, Forbes Campbell & Co., Ltd.)
,, C. J. DAMALA	(Rallis India Limited.)
,, A. D. FINNEY	(Mackinnon Mackenzie & Co.)
,, C. W. WARRINGTON ..	(Cox & Kings (Agents) Ltd.)
,, V. F. NOEL PATON ..	(Killick Industries Ltd.)

In August 1948 MR. NOEL PATON was granted leave of absence and MR. E. WILKINSON (Burmah-Shell) was elected to serve in his place.

In October 1948 MR. C. W. WARRINGTON was granted leave of absence and MR. C. F. MORRIS, O.B.E. (James Finlay & Co. Ltd.), was elected in his place.

SENATE OF BOMBAY UNIVERSITY.

CHAMBER'S REPRESENTATIVE.

In May 1948 the Registrar of the University of Bombay informed the Chamber that the term of office of its representative, MR. J. M. B. GIBBONS (Wallace & Co.), on the Senate would expire on the 4th August 1948, and requested that a representative be nominated to serve in his stead. The Committee nominated MR. A. L. HUTSON (Bombay Company Ltd.).

SYDENHAM COLLEGE OF COMMERCE.

ADVISORY BOARD.

The Advisory Board of the Sydenham College of Commerce was reconstituted for the triennium commencing from June 1948. On being asked to nominate a representative to serve on the Board, the Committee re-nominated MR. R. W. BULLOCK (Forbes, Forbes Campbell & Co., Ltd.).

INDIAN SAILORS' HOME SOCIETY.

CHAMBER'S REPRESENTATIVE.

The Indian Sailors' Home Society went into voluntary liquidation in June 1948. The Society was reconstituted and re-registered under the Indian Companies Act, 1913, on 10th August 1948.

The new constitution provides for two nominees of the Chamber to be on the Managing Committee and MR. A. W. C. BROWN (Turner, Morrison & Co., Ltd.) and CAPT. B. F. HALL (Marine Superintendent, B.I.S.N. Co., Ltd.) were duly nominated. Subsequently, CAPT. B. F. HALL resigned on his proceeding on leave to the United Kingdom and CAPT. V. BICKNELLE of the same firm was appointed to serve in his stead.

ROYAL BOMBAY SEAMEN'S SOCIETY.

CHAMBER'S REPRESENTATIVE.

In April 1948 the Chamber was asked to nominate a representative to serve as a member of the Royal Bombay Seamen's Society under the provisions of Rule I (E) of the Rules and Regulations of the Society. The Committee nominated MR. G. G. ROBERTSON (Mackinnon Mackenzie & Co.). In July, MR. ROBERTSON resigned and MR. H. L. MURRAY of the same firm was nominated in his place.

BOMBAY EUROPEAN HOSPITAL TRUST.

CHAMBER'S REPRESENTATIVE.

The Chamber was requested by the European Association to nominate a representative to serve on the Bombay European Hospital Trust Committee, in place of MR. L. A. HALSALL, C.B.E. who proceeded on leave out of India.

The Committee nominated MR. J. M. B. GIBBONS (Wallace & Co.) who, in July, resigned on his retirement from India and MR. C. F. MORRIS, O.B.E. (James Finlay & Co., Ltd.), was nominated to serve in his stead.

ST. GEORGE'S HOSPITAL NURSING ASSOCIATION.

CHAMBER'S REPRESENTATIVE.

During the absence on leave of MR. L. A. HALSALL, C.B.E., MR. E. C. B. GILMAN was nominated to represent the Chamber on the Committee of St. George's Hospital Nursing Association.

BACK BAY RECLAMATION SCHEME—STANDING ADVISORY COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In August, the Chamber was advised that the constitution of the Standing Advisory Committee for the Back Bay Reclamation Scheme had been extended for a further period of three years from 1st August 1948. On being asked to nominate a representative, the Committee re-nominated MR. L. A. HALSALL, C.B.E. (Vice-President).

TEXTILE TRADE MARKS ADVISORY COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In June 1948 the Ministry of Commerce of the Government of India informed the Chamber that the term of office of its representative on the Textile Trade Marks Advisory Committee would expire on the 10th July 1948, and called for a fresh nomination.

The Committee renominated MR. A. SOTIRIADI (Rallis India Ltd.)

BOMBAY JOINT TOWN PLANNING COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In May 1948 MR. A. W. PERCY (Burmah-Shell), the Chamber's representative on the Bombay Joint Town Planning Committee, proceeded on home leave and MR. E. WILKINSON of the same firm was nominated to serve in his place.

BOMBAY MUNICIPAL CORPORATION.

CHAMBER'S REPRESENTATIVE.

MR. W. M. MARTIN, O.B.E. (Aluminium Hindustan, Ltd.), was elected to represent the Chamber on the Bombay Municipal Corporation, in place of MR. C. B. COCKAINE, resigned.

BOMBAY SMOKE NUISANCES COMMISSION.

CHAMBER'S REPRESENTATIVE.

(*See Report* 1947, *page* 1.)

In March 1948 MR. J. G. MILNE (Killick Nixon & Co., Ltd.), the Chamber's representative on the Bombay Smoke Nuisances Commission, resigned his seat and MR. H. F. MILNE (Killick Industries Ltd.) was nominated to serve in his stead.

INDIAN CENTRAL COCONUT COMMITTEE.

CHAMBER'S REPRESENTATIVE.

In March 1948 the Committee learnt with much regret of the death of MR. F. G. LOBB (Lever Bros. (India) Ltd.), who represented the Chamber on the Indian Central Coconut Committee. In his place the Committee nominated MR. A. N. GILES of the same company.

TRAFFIC ADVISORY COMMITTEE.

CHAMBER'S REPRESENTATIVE.

MR. J. S. R. SPELMAN (Grahams Trading Co. (India) Ltd.), the Chamber's representative on the Traffic Advisory Committee, resigned in May 1948 and MR. L. MUDIE (Burmah-Shell) was nominated to serve in his stead.

G.I.P. RAILWAY LOCAL ADVISORY COMMITTEE.

CHAMBER'S REPRESENTATIVE.

The tenure of office of the existing members of the above Committee expired on the 31st May 1948. MR. C. W. WARRINGTON (Cox & Kings (Agents) Ltd.) was renominated to serve as the Chamber's representative for a period of two years with effect from 1st June 1948.

STANDING SUB-COMMITTEES.

The undermentioned gentlemen were nominated to serve on the Standing Sub-Committees of the Chamber for the year 1948-49 :—

Import.

C. A. CUNLIFFE, Esq.
R. CULLEN, Esq.
W. A. HEMMANT, Esq.
T. J. HUDSON, Esq.
T. KEMP, Esq.
J. C. LANCASHIRE, Esq.

Export.

L. F. H. GOODWIN, Esq., O.B.E.
Z. GAVALLA, Esq.
R. H. POLLARD, Esq.
R. G. SARAIYA, Esq., O.B.E.

Shipping.

H. D. B. HARRINGTON, Esq.
A. W. C. BROWN, Esq.
D. STEWART BROWN, Esq.
D. A. H. WINDLE, Esq.
G. G. ROBERTSON, Esq.
W. HARDMEYER, Esq.

Labour.

G. G. ROBERTSON, Esq.
H. S. BATLIVALA, Esq.
E. W. A. RICHARDSON, Esq.
A. A. ROBINSON, Esq.
R. W. WESTBROOK, Esq.
J. CHARANJIVA, Esq.

Docks and Railways.

J. G. MILNE, Esq.
F. BERRY, Esq.
H. P. HIRA, Esq.
S. G. PICK, Esq., O.B.E.
C. W. WARRINGTON, Esq.

Engineering Imports.

E. J. C. HERRING, Esq.
C. J. BOLLINS, Esq.
T. G. MAY, Esq.
R. SCHUEPP, Esq.
B. G. P. SPINKS, Esq.
J. SYMON, Esq.

Income-Tax.

A. E. BLAIR, Esq.
J. A. GLOAG, Esq.
O. L. PRIDEAUX, Esq.
C. R. SHARP, Esq.

Finance.

A. C. CLARKE, Esq.
MANEKLAL PREMCHAND, Esq.
C. W. MIDDLETON, Esq.
F. A. COLE, Esq.

Electricity.

J. H. SMYTHE, Esq.
E. LEWIS, Esq.
K. G. MILNE, Esq.
W. S. NELSON, Esq.

Measurement Department.

A. D. FINNEY, Esq.
L. A. HALSALL, Esq.
R. W. BULLOCK, Esq.
C. J. DAMALA, Esq.

Staff.

A. D. FINNEY, Esq.
L. A. HALSALL, Esq.
R. W. BULLOCK, Esq.
C. J. DAMALA, Esq.

Weather Working Days.

G. G. ROBERTSON, Esq.
R. A. WALSH, Esq.
A. W. C. BROWN, Esq.

In July 1948 MR. G. G. ROBERTSON resigned from the Shipping, Labour and Weather Working Days Sub-Committees and MR. H. L. MURRAY was nominated to serve in his place on the Sub-Committees.

In July 1948 MR. J. C. LANCASHIRE proceeded on four months' leave and MR. F. WHITEHEAD was nominated in his stead to serve on the Import Sub-Committee.

In June 1948 MR. R. G. SARAIYA, O.B.E., resigned from the Export Sub-Committee and MR. K. R. MARFATIA was nominated in his place.

In June 1948 MR. B. G. P. SPINKS resigned from the Engineering (Imports) Sub-Committee and MR. H. R. CORLETT was nominated in his stead.

In August 1948 MR. W. A. HEMMANT resigned from the Import Sub-Committee and MR. R. F. MOSS, M.B.E., was nominated in his place.

In May 1948 MR. D. A. H. WINDLE proceeded on six months' leave and MR. C. F. BARNARD was nominated to serve on the Shipping Sub-Committee during his absence.

In November 1948 MR. W. HARDMEYER resigned from the Shipping Sub-Committee and MR. H. JETZER was nominated in his place.

In September 1948 MR. C. W. WARRINGTON proceeded on leave and MR. F. J. KENNEDY was nominated to serve in his stead.

In June 1948 MR. O. L. PRIDEAUX and MR. C. R. SHARP proceeded on leave and MR. P. D. C. R. CLARK and MR. B. R. TANNAN were nominated to serve in their places on the Income-tax Sub-Committee.

MEMBERSHIP.

The total membership of the Chamber at the end of 1948 was 296 against 259 at the beginning of the year.

The following are the names of members elected during the year :

DAULATRAM NANDLAL. Proposed by Netherlands Trading Society and seconded by Fazalbhoy Limited.

WILSON BROS. BOBBIN CO., LTD. Proposed by Atlas Assurance Co., Ltd., and seconded by Roberts McLean & Co., Ltd.

T. BYRAMJI & Co. Proposed by The Anglo-Thai Corporation Ltd. and seconded by Latham Abercrombie & Co., Ltd.

GHANDY BROS. Proposed by E. Spinner & Co. (Overseas) Ltd. and seconded by Kishinchand Chellaram.

JOHN T. HARDAKER (INDIA) LTD. Proposed by Greaves Cotton & Co., Ltd., and seconded by Indian Textile Engineers Ltd.

ALUMINIUM HINDUSTAN LTD. Proposed by Heatly and Gresham Ltd., and seconded by A. F. Ferguson & Co.

THE CENTRAL TRADING CO. Proposed by Narandas Rajaram & Co., Ltd., and seconded by Premchand Roychand and Sons, Ltd.

KILLICK INDUSTRIES LTD. Proposed by The Bombay Co., Ltd., and seconded by Forbes, Forbes Campbell & Co., Ltd.

THE WESTERN ELECTRIC CO. of INDIA. Proposed by Forbes, Forbes Campbell & Co., Ltd., and seconded by Latham Abercrombie & Co., Ltd.

HILL, SON AND DINSHAW LTD. Proposed by Anchor Line Ltd. and seconded by Killick Nixon & Co.

UNITED LINER AGENCIES OF INDIA LTD. Proposed by Mackinnon Mackenzie & Co. and seconded by Volkart Brothers.

MACMILLAN & CO., LTD. Proposed by Blackie and Son (India) Ltd. and seconded by A. F. Ferguson & Co.

INDIA TYRE AND RUBBER CO. (INDIA) LTD. Proposed by Crawford Bayley & Co. and seconded by A. F. Ferguson & Co.

SANKEY ELECTRICAL STAMPINGS LTD. Proposed by Guest, Keen, Williams Ltd. and seconded by Crompton Parkinson (Works) Ltd.

PRAGDAS MATHURADAS (BOMBAY) LTD. Proposed by Gillanders Arbuthnot & Co., Ltd., and seconded by Tulsidas Khimji.

OOMEDCHAND KASHIRAM & CO. Proposed by Ralli Brothers Ltd. and seconded by Louis Dreyfus & Co., Ltd.

KILLICK NIXON & CO., LTD. Proposed by James Finlay & Co., Ltd., and seconded by Ralli Brothers Ltd.

CIBA PHARMA LTD. Proposed by Crawford Bayley & Co. and seconded by May and Baker (India) Ltd.

HAROLD F. RITCHIE (INDIA) LTD. Proposed by A. F. Ferguson & Co. and seconded by Eagle Star Insurance Co., Ltd.

GUY WARD & CO. Proposed by Balmer Lawrie & Co., Ltd., and seconded by Turner Morrison & Co., Ltd.

ELI LILLY & Co. OF INDIA LTD. Proposed by Parke, Davis & Co. and seconded by Crawford Bayley & Co.

WM. COLLINS SONS & Co., LTD. Proposed by Little & Co. and seconded by A. F. Ferguson & Co.

D. J. KEYMER & Co., LTD. Proposed by Burmah-Shell Oil Storage and Distributing Co. of India Ltd. and seconded by Forbes Forbes Campbell & Co., Ltd.

SINGER SEWING MACHINE Co. Proposed by Gresham Life Assurance Society Ltd. and seconded by The Central Agency Ltd.

ORIENT LONGMANS LTD. Proposed by Oxford University Press and seconded by Blackie & Son (India) Ltd.

KORES (INDIA) LTD. Proposed by The Metal Box Co. of India Ltd. and seconded by Imperial Chemical Industries (India) Ltd.

MULLER AND PHIPPS (INDIA) LTD. Proposed by Ford, Rhodes & Parks and seconded by Thos. Cook & Son, Ltd.

THE HIND TRADING Co. Proposed by Oomedchand Kashiram and seconded by Daulatram Rawatmull.

N. MANSETA AND BROTHERS. Proposed by The Anglo-Thai Corporation Ltd. and seconded by Chaturbhuj Bhaichandbhai & Co.

P. K. AGENCIES. Proposed by Fleming Shaw & Co., Ltd., and seconded by E. D. Sassoon & Co., Ltd.

KHATAU VALABHDAS & Co. Proposed by Kilachand Devchand & Co., Ltd., and seconded by Vissanji Sons & Co.

LAKSHMIRATAN ENGINEERING WORKS LTD. Proposed by Meyer Mills Ltd. and seconded by Empire of India Life Assurance Co., Ltd.

THE ALL INDIA GROUNDNUT SYNDICATE LTD. Proposed by Ralli Brothers Ltd. and seconded by Forbes, Forbes Campbell & Co., Ltd.

KAPADIA TRADING Co. Proposed by Ghandy Brothers and seconded by Pohoomull Bros. (India).

H. D. NARIMAN BROS. Proposed by Ormerods (India) Ltd. and seconded by T. Byramji & Co.

RALLIS INDIA LTD. Proposed by Mackinnon Mackenzie & Co. and seconded by Forbes, Forbes Campbell & Co., Ltd.

NELSON TRADING CORPORATION LTD. Proposed by Herbertsons Ltd. and seconded by Crawford Bayley & Co.

TRADING CO. LATE HEGT & CO., LTD. Proposed by A. F. Ferguson & Co. and seconded by Holland-Bombay Trading Co., Ltd.

GURDIAL NARAINDASS & Co. Proposed by Kishinchand Chellaram and seconded by Getz India Ltd.

SORABJI HORMUSJI & Co. Proposed by T. Byramji & Co. and seconded by Burroughs Wellcome & Co.

W. T. SUREN & Co., LTD. Proposed by Sharp and Tannan and seconded by Grahams Trading Co. (India) Ltd.

M. G. SHAHANI & Co. (BOMBAY) LTD. Proposed by Bourjois (Eastern) Ltd. and seconded by H. S. Cox & Co., Ltd.

M. GULABDAS & Co. Proposed by Gill & Co., Ltd., and seconded by Hardcastle, Waud & Co., Ltd.

The following resigned their membership of the Chamber :—

KILLICK NIXON & Co.
AHMED S. MOLOOBHOY AND SONS.
THE POWER-GAS CORPORATION LTD.
LONGMANS GREEN & Co., LTD.
RALLI BROS. LTD.
W. T. SUREN & Co.

ASSOCIATED CHAMBERS OF COMMERCE OF INDIA.

The Annual General Meeting of the Associated Chambers of Commerce of India was held at the Royal Exchange, Calcutta, on Monday, 13th December 1948. The meeting was opened by the Hon'ble Dr. John Matthai, Finance Minister, Government of India. The Bombay Chamber of Commerce was represented by:—

MR. A. D. FINNEY (President).
MR. L. A. HALSALL, O.B.E. (Vice-President).
MR. W. M. MARTIN, O.B.E.
MR. L. F. H. GOODWIN, O.B.E.

The following resolutions, which were severally brought forward at the instance of the Chambers specified, were unanimously adopted by the meeting :—

1. **Export Trade Policy.**

(Bombay Chamber of Commerce.)

"This Association views with concern the effects of the control of exports on the trade and industry of India. The Chambers urge that such controls as may be necessary should interfere as little as possible with the existing channels of trade, which may be assumed to be the most suitable and economical so long as healthy competition is allowed to regulate the export trade of the country."

2. Proposed Chartered Accountants Act.

(Bengal Chamber of Commerce.)

"Whilst according support to every effort to effect the autonomy of the accountancy profession in India, this Association urges that to meet India's great need for qualified accountants, both in administrative and business spheres, the statutory regulations should be framed to afford, firstly, an incentive to increasing numbers to join the profession and, secondly, an encouragement to acquire that degree of wide experience essential in present-day circumstances.

"In particular it is hoped that in view of the above, the Government of India will see to it that, in actual conduct, the Council under the proposed Bill imposes no limitations restricting the present right of those who are, or may become, members of bodies outside India from practising or describing themselves as Chartered Accountants where they are entitled so to do by their qualifications."

3. Payment of Government Bills.

(Upper India Chamber of Commerce.)

"This Association registers a vigorous protest against the delays experienced by commercial and industrial interests in securing payment of bills by Government Departments and urges a thorough overhaul of the present Government machinery with particular attention to the appointment of Accounts Officers in all the main industrial centres, to finalise bills and issue authorisation for payment thereof."

4. Tax on Capital Gains

(Bengal Chamber of Commerce.)

"This Association urges that the tax on capital gains should be removed as it acts as a deterrent to business enterprise and, in many instances, is a tax on capital and not on capital gains.

"Further, it is urged that, with effect from the introduction of the tax on this source, in no circumstances should capital gains, when distributed to the shareholders of a limited company, be liable in the hands of the shareholders to tax at a rate greater than the maximum laid down by statute as applicable to this source."

5. Sales Taxes.

(Madras Chamber of Commerce.)

"To avoid all present complications in the levy of provincial sales taxes caused by variations in amount of tax, items subject to tax as also the points of taxation, this Association urges the establishment of one central control and administration, the net revenues derived still being the income of the Provincial Governments."

6. Limitation of Dividends.

(Bengal Chamber of Commerce.)

"This Association welcomes the Public Companies (Limitation of Dividends) Ordinance, 1948, but urges that Government's anti-inflationary measures should be strengthened by extending the Ordinance to all companies, whether public or private, and that as a consequence the provisions of section 23A of the Indian Income Tax Act should be held in abeyance during the period the Ordinance is in force."

7. Replacement of Plant including Machinery and Buildings.

(Madras Chamber of Commerce.)

"This Association requests the Government of India that, in formulating industrial policy or computing the basis for taxation of industry, in order to

give effect to the accepted economic principle that the maintenance of capital assets should have first claim on the surplus of industry, they should recognise :—

" (*a*) that various factors have caused a significant appreciation in terms of money values of all capital equipment and industrial property,

" (*b*) that for the protection of such assets, provision needs to be made on a scale which takes account of present values on the basis of replacement costs of the assets concerned,

" (*c*) that, therefore, no burden should be placed on industry, either by way of taxation, or statutory profit-sharing, or other forms of impost, which does not take into full account the current replacement cost and allow this to be covered over the normal life of the asset,

" (*d*) that in consequence of (*c*) the basis of depreciation allowances for purposes of taxation should be adjusted far more closely to correct replacement cost of fixed assets."

8. Profit Sharing.

(*Bombay Chamber of Commerce.*)

" This Association, while cordially supporting all measures necessary to attain the objectives of the Industrial Truce Resolution of December 1947, does not regard the introduction of a compulsory profit-sharing scheme in its strictest sense as the most appropriate or practicable method of implementing the declared intention of the Resolution that Capital and Labour 'will share the product of their common effort.' The Association considers that this objective can be and is being achieved by means more acceptable to both parties and accordingly recommends to the Government of India the utmost caution in seeking to impose profit-sharing schemes on industry, particularly in the present economic circumstances of the country."

9. Labour Legislation.

(*Bengal Chamber of Commerce.*)

" This Association, whilst in sympathy with the interest which Central and Provincial Governments have evinced in the social and welfare aspects of industrial life, would remind Government that care must be taken to ensure that, in adopting measures for the betterment of industrial workers, the national income is not diminished and that the interests of the community as a whole are not overlooked."

10. Administration of Vizagapatam Port.

(*Coconada Chamber of Commerce.*)

" This Association invites the attention of Government to the unsatisfactory method of administration of Vizagapatam Port and requests that a Port Trust similar to those functioning at other major ports be constituted as it considers this is essential for the efficient working of Vizagapatam Port."

11. Railway Transport.

(*Punjab Chamber of Commerce.*)

" This Association, realising the many difficulties, operational and otherwise, handicapping the railway transport service, offers every support to the commendable efforts already made to overcome these. The country's great dependence upon railways makes a well equipped, competent railway transport system an imperative need and as India's industrial and commercial development will increasingly outstrip the available capacity of the present system, this Association strongly urges upon Government the grant of priority to all schemes of transport improvement, particularly railway transport."

ASSOCIATED CHAMBERS OF COMMERCE OF INDIA.

NOMINATION OF DEPUTY PRESIDENTS.

The Madras and Punjab Chambers were elected to nominate each a Deputy President for the year 1948-49. The Madras Chamber nominated their Chairman, MR. H. I. WONFOR, and the Punjab Chamber their Chairman, SIR SHANKAR LALL.

CENTRAL ADVISORY BOARD ON FOREST UTILISATION.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

In February 1948 MR. C. D. FERRIER (Gillanders Arbuthnot & Co., Ltd., Calcutta) resigned his seat on the Central Advisory Board on Forest Utilisation and MR. C. WILLIAMSON of the same firm was nominated to represent the Associated Chambers on the Council in his stead. In November MR. WILLIAMSON resigned and MR. J. F. E. D'A WILLIS of the same firm was appointed in his place.

INDIAN ACCOUNTANCY BOARD.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

In March 1948 MR. K. R. FETTES, C.A., R.A., the Associated Chambers' Representative on the Indian Accountancy Board, resigned and MR. G. A. S. SIM, the nominee of the Bengal Chamber of Commerce, was elected to serve in his stead.

INDIAN CENTRAL TOBACCO COMMITTEE.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

In November 1947, MR. GEOGHEGAN (Imperial Tobacco Co.), the Associated Chambers' representative on the Indian Central Tobacco Committee, resigned his seat and MR. POWELL of the same firm was nominated to serve in his stead.

In April 1948 MR. POWELL was re-nominated to represent the Associated Chambers on the Committee for a further period. The Committee of the Chamber have to record with regret the death of MR. POWELL on the 16th December.

IRON AND STEEL ADVISORY COMMITTEE.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

In July 1941, the Government of India constituted the Iron and Steel Control Board, under the chairmanship of the Iron and Steel Controller and consisting of representatives of the main producers of steel and the Steel Re-Rolling Mills' Association and the Engineering Associations, to assist the Iron and Steel Controller in the exercise of his executive functions.

The Government of India, by their resolution published in the *Gazette of India* of 18th September 1948, have re-constituted the Board so as to make it more representative, and have re-named the Board as "The Iron and Steel Advisory Committee." This Committee will be presided over by a non-official, Sir B. P. Singh Roy, K.C.I.E.

The Committee will advise the Government of India in all matters relating to the control over production and distribution of iron and steel generally, and, in particular, on the following :—

(1) Supply of coal to the steel industry and its equitable distribution amongst the various steel works.

(2) Provision of transport facilities (*a*) for supply of raw materials required by steel works; and (*b*) for regular despatch of finished steel from steel works in order to avoid congestion at the producers' yards.

(3) Labour problems relating to steel industry.

(4) Steel imports.

(5) Policies laid down by the Government of India regarding the production and distribution of steel.

(6) Any matter referred to it specifically.

The Committee will meet at least once a month or oftener, if necessary.

The Associated Chambers of Commerce of India will be represented on the Iron and Steel Advisory Committee by MR. A. MANSFIELD (Messrs. Balmer Lawrie & Co., Ltd., Calcutta).

In November 1948 MR. MANSFIELD proceeded on leave and MR. O. T. JENKINS of the same firm was nominated to serve in his place.

CENTRAL ADVISORY COMMITTEE FOR LIGHTHOUSES.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

(*See Report* 1947, *page* 7.)

In November 1947 the Associated Chambers of Commerce of India informed the Chamber that the term of office of the Central Advisory Committee for Lighthouses, appointed in 1945 for a period of two years, had expired and that a fresh Committee had to be reconstituted.

The Committee of the Chamber renominated MR. A. D. FINNEY to serve as one of the representatives of the Associated Chambers on the Central Advisory Committee for Lighthouses and were subsequently advised that MESSRS. A. H. FORD (Calcutta), J. R. GALLOWAY (Madras) and A. D. FINNEY (Bombay) had been nominated to represent the Association on that Committee.

In April 1948 the Associated Chambers of Commerce of India informed the Chamber that under the revised constitution of the Lighthouse Committee the Associated Chambers' representation had been reduced from three to one. In the circumstances constituent Chambers were asked to state which one of the three nominations already submitted to Government should represent the Associated Chambers.

The Committee in their reply stated that they considered that representation of the Associated Chambers on the Central Advisory Committee for Lighthouses should be by rotation among Bengal, Bombay and Madras, and that for the ensuing year the nominee of the Bengal Chamber of Commerce, namely, MR. A. H. FORD, should represent the Associated Chambers on that Committee.

INDIAN TEA MARKET EXPANSION BOARD.

ASSOCIATED CHAMBERS' REPRESENTATIVE.

In January 1948 MR. A. J. RICHES (Liptons, Ltd., Calcutta) was nominated to represent the Associated Chambers on the Tea Market Expansion Board.

INDIAN OILSEEDS COMMITTEE.

NOMINATION OF ASSOCIATED CHAMBERS' REPRESENTATIVE.

In July 1948 the Associated Chambers of Commerce of India were called upon to submit a fresh nomination under section 4-(0) of the Indian Oilseeds Committee Act of 1946, as MR. PASPATTI, the Associated Chambers' representative, had been selected by lot to retire from membership with effect from 31st March 1948.

The Committee renominated MR. PASPATTI.

LAW AND LEGISLATION.

DRAFT CONSTITUTION OF INDIA.

In circular No. 346/1015 of 22nd March, members were given a summary of the main features of the Draft Constitution, as settled by the Drafting Committee of the Constituent Assembly. For purposes of record, the circular is reproduced hereunder :—

Draft Constitution of India.

Summarised hereunder for the information of members are a few of the main features of the Draft Constitution, as settled by the Drafting Committee of the Constituent Assembly.

1. India is to be a Sovereign Democratic Republic and shall be a Union of States. The relationship between the Republic and the British Commonwealth of Nations is to be decided later.

The States are detailed in Parts I, II and III of the First Schedule and include the present Governor's Provinces, the Chief Commissioner's Provinces of Delhi, Ajmer, Merwara and Coorg, certain specified Indian States and all other Indian States within the Dominion of India immediately before the commencement of the Constitution. The territory of India will include also the Andaman and Nicobar Islands. A copy of the First Schedule is attached to this note.

2. There is to be a *President of India* elected by the members of an electoral College consisting of members of both Houses of Parliament and the elected members of the Legislatures of the States. The President shall hold office for five years and may be re-elected to that office, but only once. The executive power of the Union and the supreme command of the defence forces of India will be vested in the President.

In certain circumstances (failure of the constitutional machinery in a State) the Governor may by proclamation suspend certain provisions of the Constitution but only for a period of two weeks and the matter must be reported to the President. The President may then either revoke the proclamation or issue a fresh proclamation of his own, the effect of which will be to put the Central Executive and Central Legislature in the place of the State Executive and Legislature, and the State concerned will become a centrally administered area during the period the proclamation is in force.

3. There will also be a *Vice-President of India* who will hold office for five years and who will be ex-officio Chairman of the Council of States, will act as President during the absence of the President and, in the event of the death, resignation or removal of the latter, until a new President is elected.

4. *Parliament.*—The Union Parliament will consist of the President and two Houses, to be known as the Council of States and the House of the People.

The Council of States will consist of 250 members, of whom 15 will be nominated by the President and the remainder will be representatives of the States. The representatives of the Indian States listed in Part III of the First Schedule shall not exceed 40 per cent. of this remainder.

The House of the People will consist of not more than 500 representatives of the people of the territories of the States directly chosen by the voters, on the basis of adult suffrage, i.e., every citizen not less than 21 years of age and not otherwise disqualified on the ground of non-residence, unsoundness of mind, crime or corrupt or illegal practice shall be entitled to vote.

Business in Parliament is to be transacted in Hindi or English ; provided that any member who cannot adequately express himself in either language may be permitted to address the House in his mother tongue.

No person may be a member of either House of Parliament if he is under acknowledgment of allegiance or adherence to any foreign power, or is a subject or a citizen or entitled to the rights or privileges of a subject or a citizen of a foreign power.

Seats in the House of the People shall (for a period of 10 years only, unless continued by an amendment of the constitution) be reserved for the Muslim community, the Scheduled Castes, the Scheduled Tribes in each of the present Governor's Provinces and the Indian Christian community in the States of Madras and Bombay. The President may also nominate not more

than two representatives of the Anglo-Indian community if he is of opinion they are not adequately represented.

The Council of States will not be subject to dissolution, but as nearly as possible one-third of the members shall retire at the end of every second year. The House of the People, unless sooner dissolved, will continue for five years, subject only to the right of the President to extend the life of it for not more than one year at a time while a Proclamation of Emergency is in operation.

5. *Council of Ministers.*—The Prime Minister (to be appointed by the President) will be at the head of the Council. The other Ministers will also be appointed by the President on the advice of the Prime Minister. The Ministers will hold office during the pleasure of the President and the Council will be collectively responsible to the House of the People.

6. *The States.*—There will be a Governor of each State, but the Committee are divided on the question as to whether he should be elected by the direct vote of all persons who have the right to vote at a general election for the Legislative Assembly of the State, or whether he shall be appointed by the President. An alternative (Article 131) is therefore put forward by which a Governor may be appointed by the President from a panel of four candidates to be elected by the members of the Legislative Assembly of the State.

A Governor will hold office for five years and may be re-elected or re-appointed once only.

In certain States (yet to be ascertained) there will be two Houses of the Legislature, one to be known as the Legislative Council and one as the Legislative Assembly. Where there is only one House it will be known as the Legislative Assembly. The life of the Assembly shall be five years, unless it is sooner dissolved and the provision for retirement of representatives from the Legislative Council is to be the same as already noted for the Council of States.

Seats will be reserved in the Legislative Assemblies for the Muslim community and the Scheduled Castes and for the Indian Christian community in Madras and Bombay. The Governor of a State may nominate to the Legislative Assembly such number of members of the Anglo-Indian community as he thinks fit, if he is of opinion that the community is not adequately represented.

As has already been noted in connection with the Union Parliament, no subject or citizen of a foreign power may be a member of either House of the States Legislatures.

There will be a Council of Ministers in each State, with a Chief Minister at the head. The Ministers will be appointed by the Governor.

7. *Citizenship.*—This is detailed in Articles 5 and 6 of the Draft Constitution which are as follows :—

(5) At the date of commencement of this Constitution—

(*a*) every person who or either of whose parents or any of whose grandparents was born in the territory of India as defined in this Constitution and who has not made his permanent abode in any foreign State after the first day of April, 1947 ; and

(*b*) every person who or either of whose parents or any of whose grandparents was born in India as defined in the Government of India Act, 1935 (as originally enacted), or in Burma, Ceylon or Malaya, and who has his domicile in the territory of India as defined in this Constitution,

shall be a citizen of India, provided that he has not acquired the citizenship of any foreign State before the date of commencement of this Constitution.

Explanation.—For the purposes of clause (*b*) of this Article, a person shall be deemed to have his domicile in the territory of India—

(*i*) if he would have had his domicile in such territory under Part II of the Indian Succession Act, 1925, had the provisions of that Part been applicable to him, or

(*ii*) if he has, before the date of commencement of this Constitution, deposited in the office of the District Magistrate a declaration in writing of his desire to acquire such domicile and has resided in the territory of India for at least one month before the date of the declaration.

(6) Parliament may, by law, make further provision regarding the acquisition and termination of citizenship and all other matters relating thereto.

8. *Rights of Equality.*—The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex or any of them.

No person shall be deprived of his life or personal liberty except according to procedure established by law, nor shall any person be denied equality before the law or the equal protection of the laws within the territory of India.

Subject to the provisions of Article 244 and of any law made by Parliament, trade, commerce and intercourse throughout the territory of India shall be free.

Article 244 empowers any State

(*a*) to impose on goods imported from another State any tax to which similar goods made or produced in that other State are subject provided there is no discrimination between goods so imported and goods so made or produced, and

(*b*) to impose such reasonable restrictions on inter-State trade, commerce or intercourse as are necessary in the public interest.

There is a proviso that for a period of five years from the commencement of the Constitution the provisions of (*b*) above shall not apply to trade or commerce in and the production, supply and distribution of, cotton and woollen textiles, paper (including newsprint), foodstuffs (including edible oilseeds and oil), petroleum and petroleum products, spare parts of mechanically propelled vehicles, coal, iron, steel and mica.

No child below the age of fourteen shall be employed in any factory or mine or engaged in any other hazardous employment.

9. *Right to Property.*—This is dealt with in Article 24, which reads as under :—

(1) No person shall be deprived of his property save by authority of law.

(2) No property, movable or immovable, including any interest in, or in any company owning, any commercial or industrial undertaking, shall be taken possession of or acquired for public purposes under any law authorising the taking of such possession or such acquisition, unless the law provides for the payment of compensation for the property taken possession of or acquired and either fixes the amount of the compensation, or specifies the principles on which, and the manner in which, the compensation is to be determined.

(3) Nothing in clause (2) of this Article shall affect—

(*a*) the provisions of any existing law, or

(*b*) the provisions of any law which the State may hereafter make for the purpose of imposing or levying any tax or for the promotion of public health or the prevention of danger to life or property.

10. Certain principles of State policy to be followed are set out in Article 31, viz., that its policy should be directed towards securing

(i) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(ii) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(iii) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;

(iv) that there is equal pay for equal work for both men and women;

(v) that the strength and health of workers, men and women and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;

(vi) that childhood and youth are protected against exploitation and against moral and material abandonment.

11. *Appeals to His Majesty in Council.*—On and from the date of commencement of the Constitution the jurisdiction of His Majesty in Council to entertain and dispose of appeals and petitions from any decree or order of a court within the territory of India will cease and any appeals or other proceedings pending will be transferred to the Supreme Court of India.

Note.—The Committee think all pending appeals will have been disposed of by the time the Constitution comes into operation, but if not, and any difficulty is experienced in the transfer of pending cases the President may pass any necessary orders under the "Removal of difficulties" clause (Article 313).

FIRST SCHEDULE.

(Articles 1 and 4)

The States and the Territories of India.

*PART I.

The territories known immediately before the commencement of this Constitution as the Governors' Provinces of—

1. Madras.
2. Bombay.
3. West Bengal.
4. The United Provinces.
5. Bihar.
6. East Punjab.
7. The Central Provinces and Berar.
8. Assam.
9. Orissa.

PART II.

The territories known immediately before the commencement of this Constitution as the Chief Commissioners' Provinces of—

1. Delhi.
2. Ajmer-Merwara including Panth Piploda.
3. Coorg.

* The Committee has anxiously considered the question whether Andhra should be specifically mentioned as a separate State in this Schedule. There was recently a statement by the Government on this subject, in which it was said that Andhra could be included among the Provinces in the Constitution as was done in the case of Orissa and Sind under the Government of India Act, 1935. Accordingly the Committee was at one stage inclined to mention Andhra as a distinct State in the Schedule. On fuller consideration, however, the Committee feels that the bare mention of the State in the Schedule will not suffice to bring it into being from the commencement of the new Constitution. Preparatory steps will have to be taken immediately under the present Constitution in order that the new State, with all the machinery of government, may be in being from the commencement of the new Constitution. This was what was done in the case of Orissa and Sind under the Act of 1935; they were made into separate Provinces with effect from April 1, 1936, while the Act came into operation on April 1, 1937. The Committee therefore recommends that a Commission should be appointed to work out or inquire into all relevant matters not only as regards Andhra but also as regards other linguistic regions, with instructions to submit its report in time to enable any new States whose formation it may recommend to be created under section 290 of the Act of 1935 and to be mentioned in this Schedule before the Constitution is finally adopted.

PART III.

Division A.

The following Indian States—

1. Mysore.
2. Kashmir.
3. Gwalior.
4. Baroda.
5. Travancore.
6. Cochin.
7. Udaipur.
8. Jaipur.
9. Jodhpur.
10. Bikaner.
11. Alwar.
12. Kotah.
13. Indore.
14. Bhopal.
15. Rewa.
16. Kolhapur.
17. Patiala.
18. Mayurbhanj.
19. United State of Kathiawar.

*Division B.**

All other Indian States which were within the Dominion of India immediately before the commencement of this Constitution.

PART IV.

The Andaman and Nicobar Islands.

BILL TO AMEND THE GOVERNMENT OF INDIA ACT, 1935.

A Bill to amend the Government of India Act, 1935, was introduced in the Constituent Assembly of India during November 1948. In the statement of objects and reasons of the Bill it was stated that in order that uniform principles in the review of awards made by Central and Provincial Industrial Tribunals may be adopted under the overall control of the Central Government it was proposed to set up Appellate Tribunals to hear appeals against their decisions. For want of such Tribunals it was not possible to ensure uniformity in the decisions of the Central and Provincial Industrial Tribunals. Although this would be possible under the draft Constitution the setting up of Appellate Tribunals was not possible under the existing Constitution. It was explained that proviso (i) to sub-section (1) of section 8 of the 1935 Act specially stated that the executive authority of the Dominion did not extend in any Province to matters with respect to which the Provincial Legislatures had power to make laws. Clause 2 of the Bill sought to effect the necessary amendment so that the Appellate Tribunals might be established in accordance with the policy of the Government of India with regard to inflation.

Clause 3 of the Bill empowers the Governors of those Provinces which have Legislative Councils to extend the term o office of the members who are due to retire, until the new Constitution comes into force.

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* It is not possible to enumerate each of the States because owing to mergers of various kinds many of the States may disappear in larger units. It will be necessary however, o enumerate all the States by name before the Constitution is finally adopted.

Clause 6 enables Government to make orders providing that States whose rulers had ceded full and exclusive authority, jurisdiction and power in regard to the governance of their States to the Dominion Government and whose administration is now carried on by the Dominion or Provincial Government on their behalf under the Extra Provincial Jurisdiction Act, 1947, shall in future be governed directly as part of the Governor's Province or Chief Commissioner's Province in accordance with the provisions of the Government of India Act, 1935.

Clause 7 of the Bill is intended to secure for the Central Legislature adequate powers to implement effectively Government's Industrial Policy which was accepted unanimously by the Constituent Assembly. It envisages the regulation and control by the Central Government of certain industries in varying degrees. At present, by virtue of the Essential Supplies (Temporary Powers) Act, 1946, the Centre has power to regulate trade and commerce in and the production, supply and distribution of a limited number of commodities, namely, cotton, woollen textiles, paper, foodstuffs, petrol, petroleum products, spare parts of mechanically propelled vehicles, coal, iron, steel and mica. The industrial policy of Government, however, requires that the Central Legislature should have full powers regarding the development, regulation and control of certain industries and should also have power in respect to the regulation of trade and commerce in and the production, supply and distribution of products of such industries. It was therefore necessary to amend item 34, List I, of the Seventh Schedule to the Government of India Act, 1935.

GOVERNMENT OF INDIA BUDGET PROPOSALS, 1948-49.

Hereunder is a summary of the Finance Minister's proposals for taxation in the fiscal year 1948-49 :

A. *Business Profits Tax.*—The rate of tax is to be reduced from 16¾ per cent. to 10 per cent. and the present abatement of Rs. 1 lakh or 6 per cent. on the capital employed is to be increased to Rs. 2 lakhs or 6 per cent. on the capital.

This proposal is expected to result in a gross loss of Rs. 2 crores.

B. *Super-tax.*—The limit at which the maximum rate will apply is to be raised to Rs. 3½ lakhs in respect of both earned and unearned income.

The new rates of tax are as under :—

	Rate if income wholly earned.	*Rate if income wholly unearned.*
1. On the first Rs. 25,000 of total income.	*Nil*	*Nil*
2. On the next Rs. 15,000 of total income.	Two annas in the rupee.	Three annas in the rupee.
3. On the next Rs. 15,000 of total income.	Three annas in the rupee.	Four and a half annas in the rupee.

	Rate if income wholly earned.	*Rate if income wholly unearned.*
4. On the next Rs. 15,000 of total income.	Five annas in the rupee.	Six annas in the rupee.
5. On the next Rs. 15,000 of total income.	Six annas in the rupee.	Seven annas in the rupee.
6. On the next Rs. 15,000 of total income.	Six and a half annas in the rupee.	Eight annas in the rupee.
7. On the next Rs. 50,000 of total income.	Seven annas in the rupee.	Nine annas in the rupee.
8. On the next Rs. 1,00,000 of total income.	Nine and a half annas in the rupee.	Nine and a half annas in the rupee.
9. On the next Rs. 1,00,000 of total income.	Ten annas in the rupee.	Ten annas in the rupee.
10. On the balance of total income.	Ten and a half annas in the rupee.	Ten and a half annas in the rupee.

The changes in the super-tax rates are estimated to cost Rs. 1 crore.

C. *Companies' Tax.*—The present rate of super-tax of 2 annas in the rupee on the total income of companies is increased to 3 annas in the rupee with a rebate of 1 anna on the total income of any company which, for the year ending 31st March 1949, has made effective arrangements,

(*a*) for the declaration and payment in the Provinces of India of the dividend payable out of such profits, and

(*b*) for the deduction of super-tax from such profits in accordance with the provisions of sub-section (3D) or (3E) of section 18 of the Indian Income Tax Act.

The penal super-tax on companies distributing dividends above certain percentages is abolished and a 1 anna rebate will be allowed on undistributed profits. The effect of this will be that the rate of income-tax on companies will be 5 annas in the rupee as at present on distributed profits and 4 annas on undistributed profits.

Income-tax on companies with an income of Rs. 25,000 or less will be half the usual rates.

D. *Export duties.*

(1) On cloth of any description manufactured either wholly from cotton, or partly from cotton and partly from any other substance and containing not less than 10 per cent. of cotton by weight, but excluding cotton yarn and handloom cloth	25 per cent. *ad valorem.*
(2) Manganese ore	Rs. 20 per ton.
(3) Oil seeds	Rs. 80 per ton.
(4) Vegetable oils	Rs. 200 per ton.

E. *Import duties.*—The import duty on motor cars is to be raised from 45 per cent. to 50 per cent., with a preference of 7½ per cent. in favour of the United Kingdom.

The import duty on unmanufactured tobacco is increased from Rs. 8 to Rs. 13 per lb.; on cigars the duty remains the same but the surcharge is increased from Rs. 7-8 to Rs. 12-8 per lb.; on cigarettes also the rate of duty remains the same but the surcharge is increased from Rs. 18-12 per thousand or Rs. 7-8 per lb. whichever is the higher, to Rs. 31-4 per thousand or Rs. 12-8 per lb. whichever is the higher.

F. *Central excise.*—There will be an excise duty on cigarettes equal approximately to 25 per cent. on the ex-factory prices; and the duty on certain categories of unmanufactured tobacco will be raised in some cases from 9 annas to 12 annas per lb.; and in other cases from 3 annas to 4 annas per lb.

The excise duty on tea will be raised from 2 annas to 4 annas per lb.; the duty on coffee will also be raised to 4 annas per lb.; on vegetable product it will be raised by 50 per cent. to Rs. 7-8 per cwt. and on rubber tyres and tubes from 10 per cent. to 15 per cent.

The excise duty on matches which was reduced in the 1946-47 budget to Rs. 1-12 per gross boxes is to be put back to the figure of Rs. 2-8 per gross on all boxes containing up to 50 matches.

The present excise duty on betelnut is withdrawn.

G. *Postal and telephone rates.*—The registration fee for letters is to be increased from 3 to 4 annas and the surcharge on trunk calls will be increased from 40 per cent. to 60 per cent. and amalgamated with the basic rate.

H. *Donations for charitable purposes.*—Donations to approved institutions and charities will be exempted from taxation provided they do not exceed 5 per cent. of the taxable income in the case of companies and 10 per cent. in the case of individuals, subject to a maximum of Rs. 2½ lakhs in both cases; provided further that in the case of company this exemption shall apply only in respect of income-tax and not super-tax.

I. *Property tax.*—Municipal taxes paid by an owner in respect of property will also be exempted from taxation.

These proposals were considered by the Committee who submitted the following telegram to the Finance Minister :—

" Committee Bombay Chamber fully agree in principle your proposal to give one anna rebate of income-tax on undistributed profits but venture to point out that this conflicts with the procedure in the case of private companies assessed under section 23A stop Strongly recommend in any event that the first proviso to section 23A be suspended in view of unnecessary severity and practical difficulties attending one hundred per cent. distribution at present levels of taxation."

The Bill was referred to a Select Committee who recommended the following changes :—

(1) The raising of the taxable minimum from Rs. 2,500 to Rs. 3,000.

(2) A reduction of excise duty on the following :

(*a*) Tea .. .. From 4 annas to 3 annas.

(*b*) Coffee .. .. From 4 annas to 3 annas.

(*c*) Vegetable product .. .. From Rs. 7-8 to Rs. 7 per cwt.

(3) A reduction of export duty on vegetable oil from Rs. 200 to Rs. 160 per ton.

(4) A reduction in the export duty on manganese ore from Rs. 20 per ton to 25 per cent. *ad valorem.*

5) The Select Committee deleted the clause providing for deduction from taxable income of amounts paid in municipal taxes.

(6) An amendment of the definition of " chargeable accounting period " in the Business Profits Tax Act to cover cases where the accounting period is different from the financial year.

(7) A lower rate of income-tax of 2½ annas in the rupee in the case of small Indian companies whose total income does not exceed Rs. 25,000 and the usual marginal relief in the case of other companies whose income exceeds that limit.

(8) A rebate of half an anna in the rupee in the case of small Indian companies and one anna in the case of other companies on the amount of undistributed profits ploughed back into capital.

The Bill as reported by the Select Committee was passed by the House on the 30th March, and received the assent of the Governor General on the same day.

By a later notification No. 24 of 9th April the Government of India announced that the *ad valorem* rate of duty on manganese ore had been further reduced to 15 per cent.

THE BANKING COMPANIES BILL.

(*See Reports* 1946, *page* 45 ; 1947, *page* 19.)

This Bill, which was introduced during March 1948 into the Constituent Assembly and referred to a Select Committee, is substantially the same as the 1946 Bill, which was withdrawn by the Finance Minister in January this year.

The Committee of the Chamber offered several comments on the withdrawn Bill in November 1947. However, as none of their suggestions were incorporated in the Bill under consideration, and as they considered several of those matters to be most important, the Committee of the Chamber, in consultation with the Banking Sub-Committee, referred to them again along with some additional suggestions, in a letter which they submitted during June, to the Ministry of Finance.

Clause 5—*Definition.*—While the Committee agree with the definition of "Banking" set out in sub-clause (*b*) they do not see the necessity for the addition of the words "for the purpose of lending or investment" nor the reason why the words "collection of cheques drawn by or paid in by a customer," which find a place in Halsbury's definition, have not been included. The Committee, therefore, suggest that the former phrase might conveniently be omitted and strongly recommend the inclusion of the latter.

Clause 6—*Forms of business in which banking companies may engage.*—In the interest of clarity the Committee consider that in sub-clause (*k*) after the word "works" the following be inserted: "or furniture or fittings or vehicles."

Clause 9—*Prohibition of trading.*—Again, in the interests of clarity, the Committee consider another proviso on the following lines should be added to Clause 9:

"Provided that nothing in this section shall prohibit a banking company from acquiring or disposing of any furniture or fittings or vehicles necessary or convenient for the purposes of the company."

Clause 10—*Disposal of non-banking assets.*—The Committee would like to stress that a bank must be allowed to use its own assets which come into

its ownership in the ordinary course of business without necessarily having to dispose of them.

Clause 11—*Prohibition of employment of managing agents and restrictions on certain forms of employment.*—This amended clause contains the prohibition against the employment by a banking company, whether incorporated in or outside India, of any person whose remuneration is on a scale disproportionate to normal standards or to the resources of the company, and a new sub-clause (2) has been added by which the decision of the Reserve Bank shall be final in respect of any question which may arise regarding the remuneration in any particular case. The Committee wish to point out in the first place that such a condition cannot be made applicable to banks incorporated outside India and, as regards banks incorporated in India, the Committee consider that a decision on this point should be a matter for the Courts and not for the Reserve Bank.

The proviso to sub-clause (1) (*e*) refers to any contract with the company " for its management." Presumably the words " for its management " refer to the management of the company as a whole and not to a branch of it. If this is so, the reference to companies incorporated outside India is meaningless and, in any event, extra territorial. This point requires clarification.

Clause 12—*Restrictions on commencement of business and conditions for carrying on business.*—The Committee appreciate that the alterations in the *basis* for minimum capital and reserve requirements made in this Bill as compared with the Bill of 1946 are an improvement, but they deprecate the general and substantial reductions made in the *figures* of minimum requirements. In particular, the 1946 Bill required a banking company with places of business in more than one province to have paid-up capital and reserves of Rs. 20 lakhs. The present Bill clause 12 (1) (i) requires only Rs. 5 lakhs. The Committee consider this should be altered to Rs. 10 lakhs.

The proviso to clause 12 (1) (ii) permits a banking company with only one place of business to have paid-up capital and reserves of as little as Rs. 50,000. The Committee consider the previous minimum of Rs. 1 lakh much too low, and they *most emphatically* recommend that the present proviso which permits the figure to be Rs. 50,000 be deleted. Practical bankers would say such a figure as Rs. 50,000 is unworkable and its retention extremely undesirable, if not dangerous.

Although sub-clause (3) does not apply to any banking company incorporated before the 15th January 1937, nevertheless the Committee feel that they should point out that the new sub-clause (*d*) limiting the voting rights of any one shareholder to 10 per cent. of the total voting rights of all shareholders obviously cannot apply to a private company. In any event this limitation is objectionable in principle and the Committee consider that sub-clause 3 (*d*) should be omitted from the Bill.

Clause 18—*Cash Reserve.*—This clause is still unsatisfactory as it does not provide that the specified cash reserve in the case of non-scheduled Banks shall be kept with the Reserve Bank. Scheduled Banks are required to keep with the Reserve Bank a deposit equivalent to 2 per cent. of their time liabilities and 5 per cent. of their demand liabilities, without taking into account cash on hand and non-scheduled banks should be required to do the same.

Clause 19—*Restriction on nature of subsidiary companies.*—In sub-clause (2) the limit of 20 per cent. in respect of the shares in any company which a banking company may hold, remains. The Committee are still of opinion that this provision is far too wide and would prevent a perfectly sound bank from protecting itself and its depositors by the acquisition of

additional security in the form of shares, even to the extent of holding the bulk of a company's shares. The previous percentage of 40 should be restored and there should be a special provision by which that percentage may be increased when necessary to beyond 40 subject to the prior sanction of the Reserve Bank being obtained.

The new sub-clause (3) is not understood because it is already provided by clause 11 (1) (*d*) that the Managing Director or Manager of a banking company shall not be engaged in any other business or vocation.

Clause 21—*Licensing of banking companies.*—The provisions of this clause are very vague. There is no obligation on the Reserve Bank to issue a licence to a banking company, but presumably the required licence will be issued if the conditions in sub-clause (3) are complied with, because under sub-clause (4) the Reserve Bank have the power to cancel any licence if the conditions in sub-clause (3) cease to be fulfilled. The Committee consider that the conditions on which a licence shall be granted by the Reserve Bank should be specifically stated.

Sub-clause (5) provides that any banking company aggrieved by the cancellation of its licence may appeal to the Central Government whose decision on such appeal shall be final. This is not satisfactory—the right of appeal in this respect should be to a High Court.

Clause 23—*Maintenance of a percentage of assets.*—The clause as amended now specifies that a banking company shall maintain in cash, gold or unencumbered approved securities an amount which shall not at the close of business on any day be less than 20 per cent. of its total time and demand liabilities in India. The Committee adhere to the view that this should be reduced to 15 per cent. Although no properly managed bank would in normal circumstances maintain assets in the form of cash, gold or unencumbered approved securities amounting to less than 20 per cent. of its deposits, it would be necessary for the bank, in order to maintain such a day to day position, to keep a much larger percentage, which might result in the immobilisation of more than 30 per cent. of its deposits. A permanent immobilisation of deposits to this extent would undoubtedly make it difficult for small banks to operate and would even be a serious consideration for the larger banks. It is suggested, therefore, that the figure specified in the Bill should be reduced to 15 per cent. which, with the additional working margin referred to above, would approximate to the figure of 25 per cent.

Clause 24—*Assets in the Provinces of India.*—This provides that on the last working day of every quarter the assets in all Provinces of India of every banking company shall not be less than 75 per cent. of the company's time and demand liabilities therein. Although in normal times the provisions of this section will not materially affect the ordinary course of a prudent bank's business, the eventual effects of the restrictions they impose will only become apparent as time passes and conditions change and they cannot easily be foreseen. There may be times when the maintenance of such a large percentage of assets in India would be detrimental to India's overseas trade and might lead to unnecessary fluctuations in exchange rates. The Committee, therefore, suggest that power be given to the Reserve Bank under this section to reduce the percentage called for as and when circumstances may warrant.

Clause 25—*Return of unclaimed deposits.*—This clause provides that every banking company shall, within 30 days after the close of each calendar year, submit a return in the prescribed form and manner to the Reserve Bank as at the end of such calendar year of all accounts in the Provinces of India which have not been operated upon for 10 years, giving particulars of the deposits standing to the credit of each such account. The Committee strongly object to this clause as it introduces a principle to which they are entirely opposed. Nor has any valid reason been put forward as to why any change is necessary in existing practice.

In the Notes on Clauses attached to the Bill it is stated that the intention in prescribing an annual return of deposits which remain unclaimed for 10 years is to enable the Reserve Bank to have the necessary data for consideration of the question whether deposits remaining unclaimed for a prescribed period should be transferred to Government making it responsible for meeting any claim which may be established in future. It is further stated that similar returns are called for in the banking legislation of Canada and that it is provided there that after the lapse of a certain period of years deposits will be paid over to Government. The Committee are advised that the reference to Canada is wrong. The Government of Ontario legislated for the taking over by that Government of unclaimed deposits. The Privy Council, however, held that this was *ultra vires* as banking was a Central Government subject, and as far as the Committee know the Federal Government of Canada have not passed confiscatory legislation.

Clause 26—*Monthly returns and power to call for other returns and information.*—The Committee object to sub-clause (2) in its present form as they consider the powers conferred on the Reserve Bank are too comprehensive and vague. If it is the intention that sub-clause (2) should give the Reserve Bank the right to call for a Statement of Affairs from any bank in the public interest, then the object would be better expressed by substituting an entirely new sub-clause similar to section 4 (3) of the Bank of England Act which reads as follows :

" The Bank, if they think it necessary in the public interest, may request information from and make recommendation to bankers, and may, if so authorised by the Treasury, issue directions to any banker for the purpose of securing that effect is given to any such request or recommendation :

Provided that :

(*a*) no such request or recommendation shall be made with respect to the affairs of any particular customer of a banker ; and

(*b*) before authorising the issue of any such directions the Treasury shall give the banker concerned, or such person as appears to them to represent him, an opportunity of making representations with respect thereto."

The Committee see no objection to the inclusion of a further sub-clause enabling the Reserve Bank to call for information every half-year regarding the classification of advances and investments of banking companies in respect of industry, commerce and agriculture.

Clause 28—*Accounts and balance sheet.*—The proviso added to sub-clause (1) specifies that in the case of a banking company incorporated outside India the profit and loss account may be prepared as on a date not earlier than two months before the last working day of the year. But the words " calendar year " still remain in sub-clause (1) and to this the Committee must object. The closing of accounts at the end of a calendar year would, in many cases, be impracticable. The year, for the purpose of this clause, must be a banking company's accounting year.

Clause 29—*Audit.*—Sub-clause (3) specifies certain matters which an auditor is required to state in his report in addition to those already specified in the Indian Companies Act and, paragraph (*d*) in this sub-clause reads :

" whether the profit and loss account shows a true balance of profit and loss for the period covered by such account."

This should be amended to read :

" whether in his opinion the profit and loss account shows . . . etc."

Clause 35—*Further powers and functions of Reserve Bank.*—Sub-clause (*d*) (ii) is much too drastic. It would be reasonable for the Reserve Bank to have the right to recommend to the Board of Directors that a change in the management should be made but it is not reasonable that they should have the power to order such a change. The Committee consider this sub-clause should be re-drafted to permit of a recommendation only.

Clause 45—*Penalties.*—In sub-clause (1) the words " or wilfully omits to make a material statement " have been included. It may happen that Directors have to refrain from making in their reports to shareholders certain statements which might be construed as material, not with the intent of misleading anyone but because it would not be in the interests of the bank to divulge such information to the public. The Committee consider that a proviso to this effect should be added to sub-clause (*1*).

Sub-clause (2) specifies the fine to which "any person" may be liable if he refuses to produce any book, account or other document, or to furnish any statement or information which it is his duty to produce or furnish or to answer any question relating to the business of a banking company put to him by an inspecting officer. The words " Director or other officer " should be substituted for the words " any person " in the first line of this sub-clause.

Clause 47—*Application of fines.*—The Committee strongly object to the provision that any part of a fine imposed by a Court may be paid to an informer.

Borrowings from other banks, agents, etc. : Form A of the Schedule.—The Committee can see no good reason for the previous heading " due to other banks, agents, etc." being substituted by this revised one. Borrowings from other banks could be deemed to include credit balances held for their convenience. In the inter-bank market there is a distinct difference between other banks' current account balances and borrowings from them. It is preferable to restore the old heading " due to other banks, agents, etc."

ORDINANCE TO PROVIDE FOR THE CONTROL OF BANKING COMPANIES.

On 18th September the Government of India brought into immediate effect certain provisions of the Banking Companies Bill with a view to strengthening the Reserve Bank's ability to afford timely and adequate help to banking concerns whenever necessary.

The official *communique* explains the Ordinance by reference to the delay over the Banking Companies Bill and the " present economic situation in the country." The more important features of the Ordinance are as follows :

1. It empowers the Reserve Bank to control advances by a banking company.

2. It restricts banking companies from making any loans or advances on the security of its own shares or grant unsecured loans or advances to any of its directors, or firms or private companies in which it or any of its directors is interested as partner, director or managing agent, or to any individuals, firms or private companies in cases where any of the directors is a guarantor. It also makes it obligatory on every banking company to submit returns

before the close of the month succeeding that to which the return relates showing all unsecured loans and advances granted by it to companies other than private companies in which it or any of its directors is interested as a director, managing agent, or guarantor.

3. It lays down that the assets in the Provinces of India of every banking company at the close of the last working day of every quarter shall not be less than 75 per cent. of its demand and time liability.

4. Banks are required within one month from the end of every quarter to submit to the Reserve Bank a return showing the assets and liabilities referred to in 3 above as at the close of the last working day of the previous quarter.

5. It requires a bank, before the close of the month succeeding that to which it relates, to submit to the Reserve Bank a return showing its assets and liabilities in the Provinces of India as at the close of business on the last Friday of every month, or if that Friday is a public holiday, at the close of business on the preceding working day.

6. Every bank must submit to the Reserve Bank every half-year information regarding the classification of advances and investments of the bank in respect of industry, commerce and agriculture if the Reserve Bank so desires.

7. The Reserve Bank may—

(*a*) caution or prohibit a banking company generally or any banking company in particular against entering into any transaction or class of transactions;

(*b*) require banking companies generally or any banking company in particular to take or not to take such action in relation to any matter relating to the business of such banking company or companies as the Reserve Bank may think fit. On a request from the banking companies concerned and subject to certain provisions, assist as intermediary or otherwise in proposals for the amalgamation of banking companies;

(*c*) after a banking company has been inspected under section 3 of the Banking Companies Inspection Ordinance, 1946, by order in writing require the company:

(i) to call a meeting of its directors for the purpose of considering matters arising out of such inspection or meeting an officer of the Reserve Bank to discuss such matters;

(ii) to make, within such time as may be specified in the Order, such changes in its management as the Reserve Bank may consider necessary in consequence of the state of affairs disclosed by the inspection;

(*d*) by notice in writing require any banking company at any time to furnish any statement or information relating to the business of the company.

8. No Court shall entertain an application for sanctioning a compromise or arrangement between a banking company and its creditors or any class of them or between such company and its members or any class of them unless the application made in respect thereof is accompanied by a report of the Reserve Bank certifying that such compromise or arrangement is not detrimental to the interests of the depositors of such companies.

9. It prohibits any banking company from entering into any agreement or arrangement for, or being a party to any scheme for the amalgamation of such company with any other banking company without the previous sanction in writing of the Reserve Bank.

CONTROL OF THE ACCOUNTANCY PROFESSION.

(*See Report* 1947, *page* 135.)

As was stated in the Chamber's Report for 1947, the Government of India set up an Expert Committee to make recommendations as to the constitution and functions of a proposed autonomous Association of Accountants. This Committee was requested to submit its report to Government by the end of July 1948, but before the Expert Committee had completed their report it was announced that a draft Bill to regulate the profession of accountants was to be put before the Constituent Assembly (Legislative) at the session which began in August 1948. This draft Bill was carefully considered by the Associated Chambers of Commerce in consultation with the constituent Chambers and a memorandum setting out the views of the Chambers was submitted to the Government of India in November. Thereafter this question was discussed at the Annual Meeting of the Associated Chambers of Commerce in Calcutta on 13th December 1948 when the following resolution was unanimously passed :

" Whilst according support to every effort to effect autonomy of the accountancy profession in India, this Association urges that to meet India's great need for qualified accountants, both in administrative and business spheres, the statutory regulations should be framed to afford, firstly, an incentive to increasing numbers to join the profession and secondly, an encouragement to acquire that degree of wide experience essential in present-day circumstances.

In particular it is hoped that in view of the above the Government of India will see to it that, in actual conduct, the Council under the proposed Bill imposes no limitations restricting the present right of those who are, or may become, members of bodies outside India from practising or describing themselves as Chartered Accountants where they are entitled so to do by their qualifications."

ELECTRICITY SUPPLY BILL.

(*See Report* 1946, *page* 40.)

The Committee's views on the Government of India's Bill to provide for the rationalisation of the production and supply of electricity and generally for taking measures conducive to the electrical development of India, which was introduced in the Central Legislative Assembly in February 1946, are recorded on pages 40-43 of the Chamber's Report for that year.

On 26th November 1947 the Minister for Works, Mines and Power, introduced in the Dominion Parliament the Electricity Supply Bill as originally drafted with slight alterations necessitated by the constitutional changes. Later, on 6th and 8th

December, the House debated the Minister's motion for reference of the Bill to a Select Committee, who were asked to report on the opening day of the next session of the Assembly, i.e., January 1948.

On hearing about the introduction of the Bill, the Federation of Electrical Undertakings urged upon the Minister for Works, Mines and Power, to circulate the Bill for public opinion together with the minutes of the Simla Conference which was held in June 1946 and Government's recommendations thereon.

Early in January the Government of India decided to proceed with the proposed Electricity Supply Bill during the current session of the Legislative Assembly, and the Federation of Electrical Undertakings, together with the representatives of the Tata Hydro Group, urged upon the Minister in charge certain modifications.

The Chamber subsequently received a telegram from the Federation of Electrical Undertakings indicating Government's apparent determination to ignore the views and findings of the Simla Conference on the Bill and pointed out that if the Bill was passed in its present form, with the various objectionable provisions in Schedule VI, Government would have the right to acquire the assets of electricity supply undertakings at written down value regardless of current market values which would be nothing less than expropriation.

The Committee after studying this telegram despatched the following telegram to the Prime Minister and Home Minister of the Government of India :

" Committee of this Chamber understand Electricity Supply Bill now being proceeded with includes many of the objectionable financial provisions set out in Schedule Six such as inequitable provisions regarding depreciation and calculation of reasonable return to shareholders and Managing Agents also most unfair basis on which Government would have power to acquire assets of undertakings stop If Bill proceeded with on this basis it will mean gross infringement of contractual obligations to supply companies and their shareholders also of companies obligations to Managing Agents stop Committee desire point out that many provisions of Bill are directly contrary to assurances recently given by Finance Minister to the business community and they strongly urge Bill be deferred pending clear formulation of Government's general policy regarding industry."

The Select Committee's report was published in the *Gazette of India*, Part V, of 20th March, 1948 and contained the following changes :

To achieve the purpose in view, the Committee has set a time limit within which the whole legislation shall come into operation. This is to be not later than two years from the coming

into force of certain sections of the Act which are to have immediate effect. The sections which are to have immediate effect are :

Section 1.—Extent and commencemont.

Section 3.—Constitution of the Central Electricity Authority.

Section 4.—Power to require accounts, statistics and return.

Section 57.—Constitution of Rating Committee and their functions.

Section 58.—Power of Provincial Electricity Boards or Provincial Governments to direct tariff policies of Local Authority Licensees.

Section 77.—Penalties and procedure.

Sixth Schedule.—Financial Provisions for determining a Fair Return.

Table appended to VII Schedule.—Prescribed period of life of assets.

The Committee, however, appreciating the practical difficulties which might prevent some Provinces from adopting the legislation within the time limit fixed, reserved liberty to the Central Government to extend the time limit in the case of such Provinces.

In place of the Central Technical Power Board (which has ceased to function) " the Central Technical Authority " has now been substituted and the " Authority " has been clothed with wider functions. The Authority will also arbitrate on matters to be referred to it under the Bill.

Provision is made for the creation of Provincial Electricity Councils, among other things to advise the Board on major schemes and questions of policy, and generally to review the progress and work of the Boards.

Provincial Electricity Boards in the discharge of their obligations may call upon licensees to expand their undertakings and for this purpose may advance loans on terms and conditions deemed proper. Failure on the part of licensees to accept loans for expansion, or to raise other loans or use their own funds on similar terms would result in the Boards giving licensees six months' notice of purchase of their undertakings.

As anticipated, Provincial Boards are made liable to income-tax and super-tax like a company within the meaning of the Indian Income-tax Act.

The major changes suggested by the Select Committee are in the schedules, and these, in brief, are :

Schedule 1.—Alternatives are given to a licensee either to raise a loan from outside sources (the original draft imposed an obligation to take a loan from the Board alone) or employ his own funds on terms offered by a Board.

The industry's objection to partial acquisition of an undertaking has resulted in the Committee recommending that when a Board intends to acquire a controlled station, it should, at the option of the licensee, acquire

its entire undertaking if a severance of the station from the rest of the undertaking is not possible or is likely to affect the licensee's interest adversely.

Sixth Schedule.—The important changes here are :

Capital base.—This has been liberalised so as to include such investments, made before the commencement of the Act, from contributions towards depreciation, as may be shown to the reasonable satisfaction of the authority as being amounts which could not be or could not have been utilised by the undertaking.

Standard rate.—Members will recall that the Advisory Board, constituted to scrutinise the Finance Principles, had suggested a rate of return ranging from 2.5 per cent. to 3.5 per cent. on a restricted capital base plus the redemption yield of the longest dated terminable loan of the Central Government. Provision is now made for the calculated return to be a uniform rate of 5 per cent. free of tax on the modified capital base. Income-tax is allowed as an expense.

Depreciation.—The lives set out for certain of the assets in the VII Schedule have been slightly increased, and discretion is given to Provincial Governments to permit variations in the lives of the assets on applications made by licensees.

While adopting the compound interest method of depreciation, option is given to existing licensees to elect to adopt if desired the straight line method within three months from the date upon which the principles are enacted.

Provision is also made for arrears of depreciation to be written off by equated payments.

Managing Agents.—Managing agency commission is to be based on the net profits as defined in section 87 (*c*) (3) of the Indian Companies Act instead of on the previous formula based on " clear profits."

Other points of interest are :

Realising the difficulties of licensees to balance exactly clear profits and reasonable returns a margin of 30 per cent. is provided and adjustment of rates will only have to be done if the clear profits in any year exceed the amount of reasonable return by more than 30 per cent.

1/2 per cent. is allowed on loans advanced by Boards as profits to licensees, though the industry claimed 2 per cent. to meet uncovered risks.

The Bill, as amended by the Select Committee, was presented to the Assembly on 10th August, was passed on the 17th August and received the assent of the Governor-General on 10th September 1948.

BOMBAY SHOPS AND ESTABLISHMENTS ACT, 1939.

(*See Report* 1947, *page* 54.)

In a Press Note dated 16th January, 1948, the Government of Bombay gave a brief summary of some of the suggestions made by the Committee which was appointed to enquire into and report on the working of the Bombay Shops and Establishments Act, 1939.

The main features of this report are as follows :—The scope of the Act should be extended by including in its operation residential hotels and clubs and widening the definitions of "commercial establishment" and "shop." The Act should be applicable to local areas with a population of twenty-five thousand and more.

The total exemptions from the provisions of the Act should be severely curtailed and partial exemptions should be provided. Similarly, registration of establishments should be provided for and the opening and closing hours of establishments should be fixed.

Weekly (in addition to the existing provision for daily) hours for shops, daily, and weekly (instead of existing provision for monthly) hours for commercial establishments should be fixed. A substantial reduction in the normal working hours in all establishments, except the commercial establishments should be effected. Normal spread-over periods to be reduced with only a few exceptions which should be limited to brief periods and very few occasions. Compulsory weekly closure of shops and commercial establishments to be provided.

Provision for identity cards for employees in residential hotels, restaurants and eating houses to be made. Women should be prohibited from work before 7-0 a.m. and after 7-0 p.m. and the age limit of a child should be raised from 12 to 14.

Fourteen days' leave with pay with freedom to accumulate upto twenty-eight days should be provided.

Provisions relating to cleanliness, ventilation, lighting and precautions against fire should be made. Minimum penalties for offences and higher penalties for repetition of certain offences should be prescribed. Provision relating to maintenance of registers and other records and submitting them for inspection should be improved.

Rate of overtime payment should be raised from one and a quarter times to one and a half times the ordinary rate of wages in shops, commercial establishments, theatres or other places of public amusement or entertainment and at twice the ordinary rate in residential hotels, restaurants and eating houses. Double employment on holidays or when an employee is on leave, should be prohibited. Dismissal without notice, barring dismissal for bad conduct, should be prohibited.

The Factories Act should be amended, so that the employees in clerical establishments of factories may be governed by it.

Submission of annual reports on the working of the Act should be prescribed.

Note (1).—The definition of " child " in Bill No. 72 of 1947—to amend the Factories Act—is " a person who has not completed his fifteenth year."

Note (2).—The definition of " worker " is " a person employed, whether for wages or not, in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any other kind of work whatsoever incidental to or connected with the manufacturing process, or the subject of the manufacturing process, but does not include any person solely employed in a clerical capacity in any room or place where no manufacturing process is being carried on."

The Government of Bombay invited comments on the tentative suggestions contained in the Committee's report.

There were two points to which the Committee drew the attention of the Government of Bombay. The first was not referred to in Government's Press Note, but was raised by the Chamber in a letter last July addressed to the Secretary of the Enquiry Committee. The second comment concerned the suggestion of the Enquiry Committee that daily and weekly hours should be fixed for commercial establishments instead of the existing provision by which the total hours of work per month were limited.

Section 4 of the Act provided that nothing in it shall apply to certain persons specified in that section and sub-section (*a*) referred to " persons occupying positions of management." A narrow interpretation of this phrase on occasions had caused quite unnecessary inconvenience, as it had been asserted by the Inspector that the only persons in a commercial establishment occupying a position of management are the Manager or Managing Director and in some cases he had stated that the names of " officers " must be included in Form D. In other cases exemption had been extended to Secretaries, Chief Accountants and Assistant Accountants but not to Departmental Managers while, on the other hand one firm, a member of this Chamber, was given exemption in respect of the Head Manager of each department. This position was far from satisfactory as no one knew where he stood. While an Accountant could not be strictly classified as a person holding a position of management, Assistant Managers and Departmental Managers most certainly were and they should be included under section 4 (*a*). The opinion of the Committee was that there was no need whatever for the Act to be applied to the senior members of staffs in commercial establishments, as most of them were doing what was definitely managerial work even if they might not be Chief Managers or Sole Managers. The Committee therefore wished to repeat the recommendation they made last July, that the Act should not apply to " officers " and that the definition of an " officer " for the purpose of the Act should be a person occupying a position of management or one whose basic salary is Rs. 400 per mensem or more.

The suggestion of the Enquiry Committee to fix daily and weekly hours for work in commercial establishments, instead of these being limited, as they were at present, to 208 hours per month would not only cause considerable inconvenience at times but was quite unnecessary. Most commercial establishments already worked well under the total monthly hours permitted, but it not infrequently happened, particularly in offices connected with shipping, that there were rush periods when longer hours than the normal specified hours had to be worked for a few days. It would cause much unnecessary inconvenience to all concerned if on such occasions (which could not always be foreseen) applications had to be made for special exemption. It was pointed out that most commercial offices work only half a day on Saturdays and that, allowing for that and for the Sunday holiday and gazetted holidays, this year the average number of full working days per month is only 20½. During these working days the average daily hours of work are something less than eight, but even if eight hours is taken and four hours on Saturday the total monthly working hours came to 180 *before* deduction of the midday recess of an hour.

The Committee expressed the hope that when considering the further amendment of the Act Government would keep these points in mind, so that employers in commercial establishments, most of whom observed the present provisions of the Act both in the spirit and the letter, would not have to worry unnecessarily about the possibilities of small technical infringements or the need of making frequent applications for exemptions if, in rush periods, they were unable always to comply strictly with the provisions of the Act.

A Bill to consolidate and amend the law relating to the regulation of conditions of work and employment in shops, commercial establishments, residential hotels, restaurants, eating houses, theatres, and other places of public amusement or entertainment was introduced into the Provincial Assembly on Friday, 15th October 1948, and passed by the House on the same day. The Act was based largely on the Enquiry Committee's recommendation and was in the form of a repealing and re-enacting measure. The more important features of the act in so far as they relate to commercial establishments are noted below.

DEFINITIONS.

Clause 2 (4). *Commercial establishment.*—The definition of commercial establishment has been extended so as to include a Society registered under the Societies Registration Act, 1860, and a charitable or other trust, whether registered or not, which carries on any business, trade or profession or work in connection with or incidental or ancillary thereto, but does not include a factory, shop, residential hotel, restaurant, eating house, theatre or other place of public amusement or entertainment.

(30) "Wages" has been given the same meaning as in the Payment of Wages Act, 1936.

Chapter II.

Registration of Establishments.

This is a new chapter.

Clause 7 provides that within a period of 30 days from the date on which the Act comes into force in its application to the city of Bombay, the employer of every establishment shall send to the Inspector of the local area concerned, a statement in a prescribed form together with such fees as may be prescribed, containing the name of the employer and manager, if any, postal address of the establishment, the name if any of the establishment and the category of the establishment, i.e., whether it is a shop, commercial establishment, residential hotel, etc., etc. On the receipt of the statement and fees the Inspector shall, on being satisfied about the correctness of the statement, register the establishment and issue a registration certificate to the employer which shall be prominently displayed at the establishment.

Clause 8 makes it obligatory for the employer to notify the Inspector of any change in respect of any information contained in his statement under clause 7, within 7 days after the change has taken place. The Inspector shall, on being satisfied about the correctness of the employer's statement, amend the registration certificate or issue a fresh one.

Clause 9.—Every employer shall, within 10 days of his closing the establishment, notify the Inspector in writing who on being satisfied as to its correctness, shall remove such an establishment from the Register.

Chapter III.

Hours of Work.

Clause 13 provides that no commercial establishment shall on any day be opened earlier than 8-30 a.m. and close later than 8-30 p.m. (No opening or closing hours were prescribed in the 1939 Act.)

Clause 14 fixes daily and weekly hours for commercial establishments instead of the existing provision of 208 hours in the month, under the 1939 Act. The clause provides that no employee shall be allowed to work for more than 9 hours in any day and 48 hours in any week. (The daily period under the 1939 Act was 7 hours.)

Sub-clause 2 makes it permissible for an employee to work for any period in excess of 9 hours if such period does not exceed 3 hours in any week.

Clause 15 stipulates that no employee shall be required or allowed to work in any shop or commercial establishment for more than 5 hours in any day, unless he has had an interval for rest of at least one hour. (Under the 1939 Act the period of continuous work was 4½ hours, unless he had an interval for rest of at least half an hour.)

Clause 17.—The spread over, i.e., the hours of work in any one day, of an employee in a commercial establishment shall not exceed 11 hours.

Clause 18 provides that every commercial establishment shall remain closed on one day of the week. The employer shall fix such day at the beginning of the year and notify the Inspector, and prominently display a notice in his office. The employer shall not alter such day more often than once in three months, and shall notify the alteration to the Inspector.

Sub-clause (2) makes it unlawful for an employer to call an employee at, or for an employee to go to his establishment or any other place for any work in connection with the business of his establishment on a day on which the establishment remains closed.

Sub-clause (3) does not permit any deduction from the wages of an employee in a commercial establishment on account of any day on which it has remained closed under this section. It goes further to state that in the case of a daily paid employee, he shall be paid his daily wage for the day on which the commercial establishment remains closed.

CHAPTER VI.

Employment of Children, Young Persons and Women.

Those establishments employing young persons, i.e., a person who has not completed his 17th year, clause 33 states that no such person shall be required or allowed to work in any establishment before 6 a.m. and after 7 p.m., nor shall such person be allowed under clause 34 to work in any establishment for more than six hours in any day, or for more than 3 hours in any day unless he has had an interval for rest of at least half an hour.

CHAPTER VII.

Leave with Pay and Payment of Wages.

This is an entirely new chapter which had no place in the 1939 Act. Under clause 35 (1) every employee who has worked for not less than 270 days during a year shall be allowed during the subsequent year, leave consecutive or otherwise for a period of not less than 14 days, inclusive of the day or days during the period of such leave on which a commercial establishment remains closed. The proviso to this section permits such leave to be accumulated up to a maximum period of 28 days.

Clause 35 (2).—If any employee entitled to leave under clause 35 (1) is discharged by his employer before he has been allowed the leave, or if having applied for and having been refused the leave he leaves his employment before he has been allowed the leave, the employer shall pay him the amount payable under clause 36 in respect of the leave, i.e., he shall be paid for the period of his leave at a rate equivalent to the daily average of his wages for the days on which he actually worked during the preceding three months, exclusive of any earnings in respect of overtime.

Clause 37 states that any employee who has been allowed leave under section 35, shall before his leave begins, be paid half the total amount due to him for the period of such leave.

Clause 38 deals with the application and amendment of the Payment of Wages Act, and reads as follows :

" (1) Notwithstanding anything contained in the Payment of Wages Act, 1936, herein referred to as ' the said Act ' the Provincial Government may, by notification published in the official *Gazette*, direct that subject to the provisions of sub-section (2), the said Act shall apply to all or any class of establishments or to all or any class of employees to which or whom this Act for the time being applies.

(2) On the application of the provisions of the said Act to any establishment or to any employees under sub-section (1) the Inspector appointed under this Act shall be deemed to be the Inspector for the purpose of the enforcement of the provisions of the said Act within the local limits of his jurisdiction."

CHAPTER VIII.

Health and Safety.

Clauses 39 to 42 of this chapter deal with the cleanliness, ventilation, lighting and fire precautions in commercial establishments.

CHAPTER X.

Offences and Penalties.

Clauses 52 to 57 provide minimum penalties for offences and higher penalties for a repetition of certain offences.

For this purpose clause 58 lays down that where the owner of an establishment is a firm or other association of individuals, any one of the individual partners or members may be prosecuted and punished under this Act for any offence for which the employer in any establishment is punishable provided that the firm or association may give notice to the Inspector that it has nominated one of its members who is resident in the province to be the employer for the purpose of this Act and such individual shall so long as he is resident be deemed to be an employer for the purpose of this Act until further notice cancelling the nomination is received by the Inspector or until he ceases to be a partner or member of the firm or association.

CHAPTER XI.

Miscellaneous and Supplemental.

Clause 63 provides that where an employee is required to work in excess of the limit of work, he shall be entitled in respect of the overtime work, to wages at the rate of one and a half times his ordinary rate of wages. For the purpose of this clause the expression " limit of hours of work " shall mean in the case of commercial establishments, 9 hours in any day and 48 hours in any week.

Clause 65 prohibits an employee from working and an employer to permit an employee to work in any establishment on a day on which an employee is given a holiday, or is on leave in accordance with the provisions of the Act.

Clause 66 provides that no employer shall dispense with the services of an employee who has been in his continuous employment for not less than three months without giving such person at least 14 days' notice in writing or wages in lieu of such notice. No notice will be necessary where the employee's services are dispensed with for misconduct.

Clause 72 provides for the repeal of the Bombay Shops and Establishments Act, 1939, on and from the date the above Bill is brought into force.

EXEMPTIONS.

The following have been included in Schedule II—" Exemptions."

Serial No.	Establishments, employees or other persons.	Provisions of the Act.
	I. ESTABLISHMENTS.	
1	Offices of the Central Government	All provisions.
2	Offices of the Provincial Government ..	Do.
3	Offices of local authorities	Do.
4	Offices of the Bombay Port Trust	Do.
5	Offices of any Railway administration ..	Do.
6	Travellers, canvassers and such other employees whose work, in the opinion of the prescribed authority, is inherently intermittent.	Do.
7	Bazaars or fairs for the sale of goods for charitable or other purposes from which no profit is derived.	Do.

Serial No.	Establishments, employees or other persons.	Provisions of the Act.
	II. EMPLOYEES AND OTHER PERSONS.	
8	Employees exclusively working in any establishment as clearing or forwarding clerks responsible for the despatch of goods by rail or other means of transport and for customs formalities.	Sections 10, 11, 13 to 19 (both inclusive), 22 to 24 (both inclusive), 26, 28 to 31 (both inclusive).
9	Employees exclusively employed in any establishment in the collection, delivery or conveyance of goods outside the premises of any establishment.	Do.
10	Employees in such chemists' or druggists' establishments as are approved by the Provincial Government or the prescribed authority by a general or special order in this behalf.	Do.
11	Employees employed for the purpose of attending the sick, infirm, destitute or mentally unfit.	Do.
12	Employees in any establishment wholly or principally engaged in the sale of ice, aerated waters or funeral requisites.	Do.
13	Employees in stalls and refreshment rooms at railway stations, docks, wharves and airports.	Do.
14	Employees working in any establishment as watchmen, caretakers and messengers.	Do.
15	The members of an employer's family ..	Sections 14 to 17 (both inclusive), 21 to 24 (both inclusive), 28 to 31 (both inclusive).
16	A person occupying a position of management or an employee engaged in a confidential capacity. Provided that the number of such persons in any establishment shall not exceed ten per cent. of the total number of employees therein, any fraction being rounded up to the next higher integer.	Do.

In considering the various provisions of the Bill the Committee regarded clause 18 with misgiving as under it all establishments, apart from those which have been included in Schedule II, must remain closed on one day of each week and it will be illegal for an employer to make employees work on that day. It was felt that organisations such as shipping companies would be placed in a difficult position unless they were included in the Schedule of exempted establishments. Furthermore, it was considered that the weekly holiday, instead of being fixed at the beginning of each year, should be fixed monthly, particularly so if the establishment had to remain completely closed for one

day in each week for which either a Sunday or a bank holiday might be chosen. Unfortunately the Chamber's recommendations were not accepted by the Legislature. It was however recommended that shipping, oil and bunkering concerns and others who were likely to be adversely affected by clause 18 should submit representations to the Labour Department, Government of Bombay. Government are empowered under clause 4 to grant exemptions under the Act.

According to Schedule II, serial No. 16, a person occupying a position of management or an employee engaged in a confidential capacity is exempt from clauses 14 to 17, 21 to 24 and 28 to 31, but not from clause 18. The effect of this is that managerial staff come under the provisions of this clause and apparently the only persons who will be exempt from the clause are the Managing Director of the Company or the senior partner of the firm as the case may be.

SALES TAX.

Bombay Sales Tax (Repeal and Re-enactment) Act, 1948.

The Bombay Sales Tax (Repeal and Re-enactment) Bill, 1948, was passed in March 1948 by both Houses of the Legislature and provides for the re-enactment, with certain modifications, of the Bombay Sales Tax Act of 1946 which was enacted when section 93 of the Government of India Act was in operation.

When the Congress Ministry assumed office and levied the sales tax under the Act of 1946 it promised that the basis of the tax and the method of its levy and collection would be examined by an Expert Committee. A Committee was appointed and its report was published in February last year. All the recommendations of that Committee excepting two or three were accepted by the Government of Bombay and given effect to in the Bombay Sales Tax (Amendment) Act of 1947. Two of the recommendations held over for further consideration related to :

(1) a change in the form of taxation, i.e., from a single point tax to a general turnover tax, and

(2) a curtailment of the exemption list.

After consultations with the trade and public the Government of Bombay decided in favour of the continuance of the single point tax, as in Government's view this method of taxation was more suitable.

The Bill which was passed by the Legislature retains the existing single point basis and also with a few modifications, the present list of exemptions.

In pursuance of a further recommendation of the Sales Tax Enquiry Committee to the effect that a higher tax should be levied on certain classes of goods, the new Bill provided for the levy of a sales tax at one anna per rupee on the turnover in respect of goods specified in Schedule I, reproduced for purposes of record.

The more important features of the Bill are as follows.

Section 6 of the 1946 Act has been replaced by a new section which now provides for the continuance of the present levy of a general tax of half an anna in the rupee, and also for the levy of a special tax of one anna in the rupee on the turnover in respect of certain articles. The section reads as follows :

" 6. (1) The tax payable by a dealer under this Act shall consist of—

(*a*) a general tax at the rate of one half of an anna in the rupee levied on his taxable turnover in respect of sales or supplies of goods other than the goods specified in Schedule I ; and

(*b*) a special tax at the rate of one anna in the rupee levied on his taxable turnover in respect of sales or supplies of goods specified in Schedule I.

(2) The Commissioner may, in such circumstances and subject to such conditions as may be prescribed, accept from any dealer, in lieu of the amount of the general tax payable during any period, a lump sum by way of composition determined in the prescribed manner.

(3) The " taxable turnover " for the purposes of clause (*a*) or (*b*), as the case may be, of sub-section (1) shall be determined in accordance with the following rules :—

Rule I.—From the gross turnover of the dealer in respect of all his sales or supplies of goods, including goods specified in Schedule I, during any period of his liability to pay the tax, there shall first be deducted his turnover during that period in respect of—

(i) sales or supplies of any goods declared from time to time, as tax-free under section 7 ;

(ii) sales or supplies to a registered dealer of goods certified by him as being intended for resale by him or of goods specified in the purchasing dealer's certificate of registration as being intended for use by him in the manufacture or processing of any goods for sale or supply, or sales or supplies to a registered dealer of containers and other materials for the packing of such goods :

Provided that where such goods are utilised by him for purposes other than those specified in his certificate of registration, the price of goods so utilised shall be included in his taxable turnover ;

(iii) the sales or supplies of goods which are shown to the satisfaction of the Commissioner to have been despatched by, or on behalf of, the dealer to an address outside the Province of Bombay, or to have been removed to such address within such period as may be prescribed by, or on behalf of, the person purchasing the goods ; and

(iv) such other sales as may be prescribed.

Rule II.—From that part of the balance remaining after making deductions under Rule I which is in respect of the sales or supplies of goods

other than those specified in Schedule I there shall be deducted one-thirty-third of such part, and the remainder shall be the taxable turnover for the purposes of clause (*a*) of sub-section (1).

Rule III.—From that part of the said balance which is in respect of the sales or supplies of goods specified in Schedule I, there shall be deducted one-seventeenth of such part, and the remainder shall be the taxable turnover for the purposes of clause (*b*) of sub-section (1)."

Section 11 has been amended by the introduction of a new clause and complies with the recommendation of the Sales Tax Enquiry Committee that though the returns and payments of tax may continue to be made quarterly the assessment of tax should be made annually except in certain special cases. Sub-section (1) of section 11 has been renumbered as sub-section (1A) and the new sub-sections (1) (*a*) and (1) (*b*) read as follows :

" (1) (*a*) The amount of tax due from a registered dealer shall in the case of first assessment be assessed in respect of such period not exceeding twelve months as the Commissioner may determine.

(*b*) In the case of subsequent assessments the amounts shall be assessed each for periods not less than twelve months, provided that if the dealer has at any date discontinued or transferred his business or ceased to be liable to pay the tax the amount shall be assessed for the period till that date."

SCHEDULE I.

(*See Section* 6.)

1. (i) Motor vehicles including motor cars, motor taxi-cabs, motor cycles and cycle combinations, motor scooters, motorettes, motor-omnibuses, motor vans and motor lorries.

(ii) Chassis of motor vehicles.

(iii) Articles (including rubber and other tyres and tubes and batteries) adapted for use as parts and accessories of motor vehicles, not being such articles as are ordinarily also used for other purposes than as parts or accessories of motor vehicles.

2. Refrigerators and air-conditioning plants.

3. Wireless reception instruments and apparatus and component parts thereof including all electrical valves, accumulators, amplifiers and loud-speakers which are not specially designed for purposes other than wireless reception.

4. Cinematographic, photographic and other cameras, projectors and enlargers; lenses and other parts of and accessories to such cameras, projectors and enlargers and films, plates, paper and cloth required for use therewith.

5. Binoculars and opera glasses.

6. Perfumery, cosmetics and toilet articles, except soaps and other articles as may be specified by the Provincial Government by notification in the official *Gazette*.

7. Silk including artificial silk and all silk goods.

8. Fountain pens, stylograph pens and propelling pencils.

9. All clocks, timepieces and watches, and parts thereof.

10. Pile carpets.

11. Gramophones, radio-gramophones and records.

12. All arms, including rifles, revolvers, pistols and ammunition for the same.

13. Jewellery, precious stones, unset precious stones and pearls, real and cultured.

The Schedule of exemptions in the 1946 Act has been amended and it is now known as Schedule II to the Act.

While the exemption they now enjoy is withdrawn from tinned foodstuffs, bullion and specie, the list is liberalised in other respects. School requisites like slates and exercise and printing books will hereafter be fully exempted and the exemption limit for cooked food will be raised from 8 annas to one rupee. All edible oils except when sold in sealed containers will be exempted from tax. Similarly caps, towels and handkerchiefs made from handloom cloth will be exempt, as also charakhas and certain other implements used in the production of handspun yarn or hand-woven cloth. The Schedule of exemptions in its amended form is reproduced hereunder:

SCHEDULE II.

(*See section* 7.)

(Tax-free Goods.)

Serial No.	Description of goods.	Conditions and exceptions subject to which exemption has been allowed.
1	All cereals and pulses including all forms of rice.	Except when sold in sealed containers.
2	Flour including atta, maida, suji and bran.	Do.
3	Bread	....
4	Meat	Except when sold in sealed containers.
5	Fish	Do.
6	Fresh Eggs	....
7	Live stock including poultry	....
8	Vegetables green or dried other than medical preparations.	Except when sold in sealed containers.
9	Fruits—fresh and dried	Do.
10	Cooked food eaten at a hotel, restaurant, refreshment room, eating house or other place where cooked food is served.	Except when the cost of a single meal exceeds *one rupee*.
11	Gur, sugar and molasses	....
12	Salt	....
13	Pepper, tamarind and chillies	....
14	Fresh milk, whole or separated and milk powder.	....
15	Cheap cloth of such variety and of such rate as may be specified by the Provincial Government by notification in the official *Gazette*.	....

Serial No.	Description of goods.	Conditions and exceptions subject to which exemption has been allowed.
16	Kerosene	....
17	Cattle-feeds including fodder, cotton-seed and other concentrates.	....
18	Fertilizers	....
19	Quinine	....
20	Coal gas	When sold by a Gas Supply Company for consumption— (*a*) by Government or any Local Authority, or (*b*) in respect of any industrial undertaking (other than in residential or office premises).
21	Tobacco in any form whether manufactured or not.	....
22	Matches	....
24	Goods on which duty is or may be levied under the Bombay Abkari Act, 1878, or the Opium Act, 1878.	....
25	Electrical energy	....
26	Motor spirit, meaning any liquid or admixture of liquids which is capable of providing reasonably efficient motive power for any form of motor vehicle and which has a flashing point below 76°F.	....
27	Water other than aerated and mineral waters.	....
28	Buttermilk and curds	....
29	Karadi (safflower) oil and til (sesamum) oil.	....
30	Turmeric powder	....
31	Betel nuts	....
32	Cloth woven on handlooms, exclusively out of mill or handspun cotton yarn and caps, towels and handkerchiefs made exclusively from such cloth or yarn.	....
34	Firewood and charcoal	....
35	Manures including oil-cakes	....
36	Agricultural implements worked or operated exclusively by human or animal agency specified by the Provincial Government by notification in the official *Gazette*.	....
37	Textbooks approved by the Director of Public Instruction for the Province of Bombay.	....
38	Slate and slate pencils	....
39	Chalk sticks and crayons	....
40	Footrules	....

Serial No.	Description of goods.	Conditions and exceptions subject to which exemption has been allowed.
41	Exercise and drawing books	....
42	Stamp paper sold by vendors duly authorised under the provisions of the Indian Stamp Act, 1899.	....
43	Newspapers	....
44	Tanned leather	....
45	Cotton (whether ginned or unginned) ..	....
46	Cotton yarn	....
47	Cotton seed	....
48	All edible oils	Except when sold in sealed containers.
49	Texts of sacred books of all religions ..	....
50	Betel leaves	....
51	Groundnuts, Kardi (safflower) seed and Til (sesamum) seed.	....
52	Cloth woven on handlooms exclusively out of handspun woollen yarn.	....
53	Goods obtained from the Canteen Stores Department of the Government of India and sold by Canteen Contractors certified by that Department to members of His Majesty's or Allied Forces at prices fixed by the said Government.	....
54	Charakha and such other implements used in the production of handspun yarn or hand-woven cloth as may be specified by the Provincial Government by notification in the official *Gazette*.	....

The Bill with certain modifications was extended to those Indian States which have been merged or become integrated with the Province of Bombay.

Payment of Sales Tax on Supplies made against Orders Received from the Department of Industries and Supplies.

The Chamber received complaints from members regarding non-payment of sales tax charged in their bills for goods supplied to the Director of Supplies and against Indian Stores Department orders on behalf of consumers, including railways, in the Province of Bombay. In some instances brought to the notice of the Chamber the Director-General of Industries and Supplies had given instructions that payment for bills might be made excluding Bombay Sales Tax and that separate bills for the sales tax were to be submitted and would then be forwarded to the Controller of Supply Accounts for provisional payment. Another member stated that the question of sales tax on purchases by the Director of Civil Supplies on behalf of consumers in the

Province of Bombay was under discussion between the Government of India and the Government of Bombay and that payment of the sales tax would not be made until a decision was arrived at.

In a letter addressed to the Finance Department (Supply), Government of Bombay, the Committee pointed out that it was manifestly unfair that suppliers in Bombay Province who were bound to pay sales tax to Government under the terms of the Sales Tax Act, should be precluded from recovering the tax on supplies made to Government agencies, and they accordingly enquired as to when the suppliers concerned would be able to recover sales tax already paid to Government. In reply the Committee were informed that registered dealers must pay the tax even though the department of Government to which they had made sales refused to pay it. This reply was considered unsatisfactory and the Committee addressed two further letters to the Finance Department on 23rd September 1947, and 4th February 1948, pointing out that this answer was not acceptable inasmuch as the members who had brought the matter to the notice of the Committee showed the following clause in their tender forms :

" The prices are exclusive of Bombay Sales Tax which if payable will be an extra at the rate of tax ruling on the day delivery is effected."

On being asked to state whether Government did or did not intend to pay the sales tax on goods so supplied regardless of the terms of contract, the Special Officer, Finance Department, in his letter of 5th March 1948, stated that this would depend upon the specific terms of the sale. He went on to say that if those terms stipulated that the price quoted was " exclusive of Bombay sales tax " it followed that the Department should pay sales tax in addition to the price quoted.

Submission of Bills for Sales Tax covering Goods Supplied to the Director-General of Industries and Supplies.

In March the attention of the Chamber was drawn by certain members to an order issued by the Director General of Industries and Supplies, New Delhi, which specified that bills for sales tax submitted to the Deputy Accountant General for payment, must be duly certified by a registered auditor who should also indicate the amount actually paid on that account.

In a letter addressed to the Director General of Industries and Supplies, the Committee stated that it was not understood why such a stipulation should be enforced by Government when the dealer was required by law to pay the tax. Compliance with the order would necessitate obtaining numerous certificates from auditors and since sales tax was paid quarterly all bills would have to be held in abeyance meantime.

There was another aspect to this question, namely, that auditors were likely to charge dealers for certificates which they might be called upon to issue from time to time, and the Committee enquired whether Government were prepared to meet the cost of auditor's certificates.

The amount of inconvenience and the loss of time that would be involved was such that the Committee urged upon Government the withdrawal of these instructions at an early date.

In reply, the Chamber was informed that the order had been withdrawn and that the Deputy Accountant General (I. & S.) concerned would henceforward admit bills for sales tax, if the amount payable as sales tax, wherever admissible, is indicated in the relative Acceptance of Tender. Instructions to this effect have been issued to all concerned including the Deputy Accountant General (I. & S.) Calcutta/New Delhi/Bombay.

Sales Tax on Supplies made to Government Departments.

In June 1948 a member drew the attention of the Chamber to the fact that Bombay dealers, when submitting tenders to the Central Government for supplies in Bombay Province, were at a disadvantage inasmuch as they had to include in their tender the condition " plus Bombay Sales Tax at six pies in the rupee." Calcutta dealers, on the other hand, were able to submit tenders without any stipulation of sales tax, as the Bengal Sales Tax Act exempted sales to the Supply Department of the Government of India and any Railway or Water Transport administration, from the payment of sales tax. The relevant section from the Bengal Sales Tax Act reads as follows :

" In this Act the expression ' taxable turnover ' means that part of a dealer's gross turnover during any period which remains after deducting therefrom—

(*a*) his turnover during that period on

Sales to the Indian Stores Department, the Supply Department of the Government of India, and any railway or water transport administration."

In a letter addressed to the Finance Department, Government of Bombay, the Committee stated that Bombay dealers were at a disadvantage and that, in equity, they should be granted the same concession as Calcutta dealers, i.e., they should be allowed to deduct from their gross turnover sales to the Indian Stores Department, the Supply Department and any railway administration. The Committee, therefore, recommended for Government's consideration that, under section 6 of the Bombay Act, the following additional rule should be added after rule I-(iv) :

(*v*) sales to the Indian Stores Department, the Supply Department of the Government of India and any railway administration.

Sales Tax on Edible Oils Except when Sold in Sealed Containers.

The following Notice, issued by the Deputy Commissioner of Sales Tax, Bombay, is reproduced for purposes of record.

" Under entry 48 of Schedule II of the Bombay Sales Tax Act, no tax is payable for sales of ' all edible oils, except when sold in sealed containers.'

" It is notified for general information that when the container is furnished by the purchaser, the tax will not be payable by the seller even if the container is sealed after the oil has been filled in it. In cases where the container is furnished by the seller, the container will not be considered as sealed if it is closed by a tight cork or a screw cap only (such as for a barrel), without being soldered or secured with wax or other substance, and also without any wire straps, clasp or other device. But in cases where the container furnished by the dealer is closed by soldering or secured with wax, etc., or with a wire, strap or other device, the sales will be subject to tax on the whole amount recovered, even though the prices for the oil and the container may be charged separately."

Claims for Exemption from Sales Tax under Section 6 of the Act.

On 26th July a notification was published in the *Times of India* advising dealers that from 1st August 1948 certificates would have to be obtained for all sales to registered dealers which must be affixed to the relative invoice, bill or document containing the description and value of the goods, if dealers wished to claim exemption under section 6 of the Sales Tax Act.

The adoption of this procedure was likely to cause some inconvenience and it was accordingly decided in conjunction with the Pharmaceutical and Allied Manufacturers and Distributors' Association that a small deputation consisting of two members of the Chamber and two members of the Pharmaceutical Association, should discuss the terms of the notification with the Sales Tax Commissioner with a view to simplifying the procedure. As a result of these discussions the Deputy Commissioner of Sales Tax agreed to the adoption of the following system :

1. Sellers to obtain at three-monthly periods declarations from their purchasers to the effect that all the goods purchased by them during that period were in fact for resale and that relevant entries for the goods so purchased had been entered in their books. The actual form of the declaration will be :

" I/We.....hereby certify that all the goods purchased by me/us from Messrs.....of..... during the period from.....to.....were actually for the purpose of resale, and that relevant entries for the goods so purchased have been duly made in my/our books.

Registration No.....of.....

Signature.....

Status .....

Date.....

2. The arrangement outlined in (1) above was confined to wholesale dealers only who had a minimum annual turnover of Rs. 10,00,000. Such dealers must furnish the Sales Tax Officer, at the beginning of each year, with a list of the names and numbers of all their regular clients for whom they wish to adopt this arrangement, and that further names will only be added to the list with effect from the beginning of any subsequent quarter.

3. That, in the case of cash transactions, in which exemption from sales tax was claimed (i.e., wholesale sales over the counter), the bill or invoice prepared at the time should be stamped with the following certificate and should be signed by or on behalf of the purchaser :

" Certified that these goods are purchased for re-sale, Registration No.....of..... "

4. That, in the case of sales not made over the counter, provided the wholesaler maintains a record of the sales to each purchaser in such manner as to enable each purchaser to be identified, the actual order from the purchaser need not be attached to or form a part of the relevant invoice, or be retained beyond the time that the wholesaler normally files such orders.

5. In the case of goods being purchased for packing or for manufacture, certificates in the following form should be provided on each and every occasion :

1. " Certified that these goods are purchased for packing of goods to be sold. Registration No.....of....."

2. " Certified that these goods are purchased for use in the manufacture of goods for sale and are covered by my/our certificate of registration No.....of....."

Signature.....

Status .....

Date.....

INDIAN MINING CONCESSION RULES.

In July 1948, the Associated Chambers of Commerce of India called for the views of all constituent Chambers on a draft of the revised Mining Concession Rules, drawn up by the Ministry of Works, Mines and Power, Government of India. The draft was carefully considered by the Committee of the Chamber, who noted that, on the whole, there were not so many variations from the rules at present in force. Although it was nowhere stated that these proposed rules would apply only to the grant of new leases, it was assumed, that this would be so. The Committee considered, however, that Government should clarify this point. The following comments were offered on the rules.

Draft Rule 41.—This rule is the same as old Rule No. 21, except that there is an additional note, addressed to Deputy Commissioners, reminding them that the grant of a prospecting licence carries with it the subsequent right to a mining lease. The Committee would, however, like to draw attention to draft Sub-rule 2, which deals with applications received for a prospecting licence over land valuable for agriculture or any purpose other than mining. The Committee consider that the Draft Rule, as it stands, is capable of interpretation in various ways and would place the Licensee at a disadvantage.

Draft Rule 53.—According to this Draft Rule, the holder of a prospecting licence shall have a right to a mining lease and that such lease *may* include so much land comprising the whole or a part only of the area for which the prospecting licence is granted, as shall not exceed the maximum permitted under the Rules. The Committee consider this to be rather vague and are of the opinion that it should be stated that a holder of a prospecting licence shall have a right to a mining lease up to the maximum permitted area, should he so wish.

Draft Rule 61-(*G*).—It appears under this Draft Rule that it will be difficult for any applicant to obtain a mining lease for a mineral, which he might wish to export, and which might be available in India in quantities adequate to provide for Indian industries, in addition to an export trade. The effect of this might well be restrictive and is likely to discourage enterprise.

Draft Rule 69 (2).—This rule provides that the grant of an additional area, by supplementary agreement, will extend the rights, privileges, etc., enjoyed by the applicant under the original lease, to the new area, subject to any alterations or additions which may be necessary. This seems vague and such alterations might conceivably cover a demand for enhanced royalty or Dead Rent over the whole area, including the original lease, and the Committee suggest that provision should be made to protect the applicant against such a demand until the expiry of the term of the original lease.

Draft Rule 74.—This draft rule represents an important departure from previous practice and states that, for ordinary minerals, a mining lease can only be executed for two periods of twenty years each, instead of two periods of thirty years each under the existing rules. With regard to coal mining leases, the initial period under the draft rule is to be twenty years, with provision for two renewals of twenty years each, making a total of sixty years, as compared with ninety years under the present rules. The Committee consider the wording of the draft rule, although the same as the existing one, to be somewhat vague and it appears to them to be permissive only and does not carry with it a sufficient guarantee. If it is left in its present form, the term of the original lease, twenty years, carrying with it no certainty of renewal, is too short. The position would be that, for the first several years of the lease possibly up to five, the property would be in a state of development and returning little or no yield on the capital invested. For the latter period of the lease, possibly for at least another five years or even more, no one would be prepared to invest further capital on machinery, etc., in view of the danger that the lease might be terminated. In practice, therefore, the useful life would be reduced to something like half the lease period. The Committee consider also that provision should be made to include a third term of twenty years for minerals other than iron or coal, making a total life of sixty years, though it would be better to have two terms of thirty years, rather than three terms of twenty. Another point, which the Committee would like to stress in regard to this draft rule, is the fact that it makes no specific mention of the minimum period for which a mining lease may be granted (this is also true of existing Rule 51). The Committee consider that, from the point of view of the lessee, the draft rule should be more specific in this regard.

Draft Rule 75 (*i*).—Under this draft rule, new terms for royalty are listed in Schedule (I). The Committee are particularly interested in the royalties on manganese ore. On the basis laid down in the schedule, they represent very serious increases over the present rates, and taking into consideration the recently imposed export duty and the enhanced rates of railway freight, are beyond the capacity of the industry. The Committee are surprised to see that the demarcation line between the high-grade and low-grade ore has now been fixed at 47 per cent. instead of the customary 48.

Draft Rule 75 (*ii*).—The Committee invite attention to item ii of Schedule III, which specifies one rupee per acre per annum as minimum dead rent. The existing figure is one anna per acre per annum and it looks as if the figure quoted in the draft is a misprint. At the same time the Committee feel that consideration might be given to fixing maxima. They consider this to be important, because it is possible that Provincial Governments might wish to renew leases at rates which could be highly disadvantageous to a lessee.

Draft Rule 75 (*x*).—This draft rule stipulates that the lessee shall provide properly constructed weighing machines or other suitable means for determining the weight and quantity of the minerals produced. This is not in itself necessarily objectionable, but the Committee consider that provision should be made to accept railway weighment figures, in cases where the material from a mine is despatched on rail and goes over the railway weigh-bridges, these figures providing the basis on which calculations and assessments are made.

In conclusion, the Committee drew attention to the omission of old Rule 55 from the draft. This rule specified that mining leases for precious stones could only be granted by the Central Government. Presumably local Governments may now grant such leases.

Subsequently, the Associated Chambers invited the views of constituents on a broad general point of principle raised in a letter addressed to the Ministry of Works, Mines and Power, by the Bengal Chamber of Commerce, namely, the interference by executive action with matters of supreme importance to the business, commercial and industrial life of India, such as the composition of the directorates of companies.

The objectionable feature appeared in Rule 4, which reads as follows :—

"*Rule* 4.—A certificate of approval or an exploring licence or a prospecting licence or a mining lease shall be granted only to a person who is an Indian subject or if the person be a company or firm, only if such company or firm is shown to the satisfaction of the Local Government to be controlled by Indian subjects alone or with foreign subjects and registered, incorporated or established in India with rupee capital of which the proportions subscribed in India is not below 51 per cent. and having proportional representation of Indians in the directorate.

Sub-rule 1.—The expression " Indian subject " used in this rule includes the subjects of the States within the Indian Union.

Sub-rule 2.—In the case of the death of the person or persons to whom any of the licences or lease has been granted, it shall insure for the benefit of his legal representatives only if they are Indian subjects or a company or firm which satisfy the above-mentioned conditions."

It was held that the composition of a directorate of a company was no matter for Government legislation ; it was a decision exercisable solely by those who had subscribed the monies necessary for the company to function and their rights and privileges in such a choice should be respected. It was pointed out that directors were not selected or elected on any proportional basis and Government's proposal introduced a novel feature

into these matters which was at once fraught with dangers as well as being highly undesirable. The principle seemed to go even further than was indicated above in that it struck at the very root of an individual's freedom to take charge of his own affairs within the very wide and broad limits permitted by a democracy. It was accordingly recommended that the words " having proportional representation of Indians in the directorate" should find no place in executive instructions of the nature under discussion.

The Committee agreed with the views put forward by the Bengal Chamber and considered that it was a matter which the Associated Chambers should themselves take up with the Central Government. This was done in December 1948.

MINES AND MINERALS (REGULATION AND DEVELOPMENT) BILL, 1948.

A Bill to provide for the regulation of mines and oilfields and for the development of minerals was introduced into the Constituent Assembly on 13th August. The object of the Bill was to regulate mines and oilfields and mineral development on the lines contemplated in the Industrial Policy Resolution of the Government of India of 6th April 1948. The Bill sought to give powers to the Central Government to frame rules for the regulation of the terms and conditions of mining leases, as also for the conservation and development of minerals. It also provided for modification of existing leases on payment of compensation. The Committee of the Chamber offered the following comments on the Bill :—

Clause 4 (2).—It was suggested that the word " new " be inserted after the word " any."

Clause 6 (*2A and 2B*).—These seemed to be very sweeping provisions. Dictation to a lessee of the methods to be employed in the exploitation of a mine was unsatisfactory and could only lead to inefficiency and interference in the legitimate right of the lessee to decide for himself what type of plant was most suited for his requirements.

Clause 7.—This enabled the Central Government to make rules for the purpose of modifying or altering the terms and conditions in a mining lease granted prior to the commencement of this Act so as to bring such leases into conformity with the rules made under clauses 5 and 6. It was felt that the provisions of this clause, combined with those of clause 6, would amount to repudiation by Government of existing obligations and that there would be nothing to prevent Government, at a later date, amending it so that they would have the power, at any time, to alter the terms of all leases at will, both old and new. The result of this would be that no one would know where they stood from time to time and the effect would be to discourage enterprise as no one would be prepared to take up leases, the terms of which were liable to sudden and arbitrary alterations.

Clause 8.—It was contended that some provision should be made under this clause to ensure that any officer appointed to exercise power under the Act should be of adequate standing in view of the importance of the issues involved. In both this clause and clause No. 11, there should be a provision that any information acquired in the course of official duty should be confidential.

Clause 10.—Stipulated that all rules made under any of the provisions of this Act shall be placed before the Legislature as soon as may be after they are made. In view of the importance of these rules, when framed, it was suggested that adequate opportunity should be given to the interests concerned to express their opinions on the rules before they were introduced into the Assembly. If this was not done, there was the danger that the rules which lessees might very well think objectionable would be passed by the Legislature.

Clause 11.—This clause conferred very wide powers on any officer authorised by the Central Government in this behalf. It was considered that provision should be added that no action taken by any such officer shall interfere with the smooth and proper operation of the mine. Further, the words " connected with " appearing in sub-clauses 2 and 3 were rather vague and it was considered these should be restricted to officials connected with the mine."

BOMBAY RENT CONTROL ACT.

(*See Report* 1947, *page* 28.)

Full particulars of the Rent Control Bill of 1947 were reproduced in the Chamber's Report for that year.

During June 1948, members were advised by circular No. 128/1962 of 5th June of a notification, issued by the Government of Bombay, in regard to the subletting of any premises or transfering or assigning of a tenant's interest in such premises. Particulars of the notification are reproduced for purposes of record :—

Under section 15 of the Bombay Rents, Hotel and Lodging House Rates Control Act, 1947, it is unlawful for a tenant to sub-let any premises or transfer or assign his interest in the premises in any other manner, except in respect of leases specifically exempted from the section by the Provincial Government under the proviso to that section. The following Notification has therefore been issued by the Government of Bombay under the proviso to section 15 :

" *No.* 5975/33.—In exercise of the powers conferred by section 15 of the Bombay Rents, Hotel and Lodging House Rates Control Act, 1947 (LVII of 1947), as amended by the Bombay Rents, Hotel and Lodging House Rates Control (Amendment) Act, 1948 (XXXVI of 1948), the Government of Bombay is pleased to permit in all areas to which Part II of the said Act extends, all transfers and assignments by lessees of their interests in leasehold premises as and to the extent specified in the Schedule hereto.

SCHEDULE.

Transfer or assignment on sale or mortgage without possession by lessees holding building sites under leases the unexpired period of which exceeds

five years on the date of this notification, provided such transfer is of their entire interest in the building site together with the whole building standing thereon."

Section 15 reads as follows :—

Section 15.—" Notwithstanding anything contained in any law, it shall not be lawful after the coming into operation of this Act for any tenant to sub-let the whole or any part of the premises let to him or to assign or transfer in any other manner his interest therein :

Provided that the Provincial Government may, by notification in the official *Gazette*, permit in any area the transfer of interest in premises held under such leases or class of leases and to such extent as may be specified in the notification."

Section 4 of the Bombay Land Requisition Act provides that whenever any premises situated in an area specified by Government in the official *Gazette*, become vacant, intimation of such vacancy has to be given to the Provincial Government and the premises may not be let without permission of Government before the giving of such intimation and for a period of one month thereafter. The implications of this and section 15 of the Rent Control Act were serious for those tenants who might go on leave out of India and on their return to Bombay would wish to resume occupation of their residences, as, unless some concession was granted by Government, such individuals were likely to lose their tenancy rights. Accordingly the Vice-President of the Chamber and the Chairman of the United Kingdom Citizens' Association discussed this matter with the Government of Bombay and, as a result of the discussion, it was agreed that in the case of a tenant going out of India on leave for a maximum period of six months Government would, on application being made to them, authorise the tenant to allow someone of his choice to occupy the premises as a caretaker during his absence. Before authorising this, Government would require to be satisfied that the tenant concerned would definitely be returning to Bombay at the expiry of his leave. If, for any reason, the tenant would not return or could not return, Government made it clear that the caretaker would have no right to continued occupancy and the premises would have to be declared to the Government of Bombay as vacant. In the event of a delayed return from leave owing to sickness or other unavoidable causes, Government would be prepared to grant an extension of the period of residence to the caretaker, provided again that the reason for the delayed return was satisfactorily explained and Government were given adequate proof of the tenant's intention to return and resume occupancy of the premises.

Applications for permission to appoint caretakers were required to be submitted to the Secretary to Government, Health and Local Government Department, Bombay.

RESIDENTIAL ACCOMMODATION.

Concessions to Landlords in the Allotment of New Tenements.

The following press note dated 17th December, issued by the Government of Bombay, is reproduced for purposes of record :—

" After careful consideration of the representations made by the owners of new buildings, the Government of Bombay has declared its policy in the matter of approving allotments under the Bombay Land Requisition Act. Landlords will be at liberty to propose allotments for all the tenements proposed to be erected by them and these proposals must be sent to the office of the Controller of Accommodation, at least one month before the building is ready for occupation. The Government will not ordinarily interfere with these proposals. Nevertheless, the following conditions will have to be observed :—

The provisions of the Rent Act will continue to be in force.

There should be absolutely no element of *pugree* in any form. If it appears to the Government that any consideration in the nature of *pugree* is involved, it will be at liberty to requisition the whole building and the landlord will not be given the option to propose any other alternative allotment.

The allottees must be residents of Bombay on the date of the allotments and must have been continuously residing in the city from a date at least six months prior to January 1949. Satisfactory documentary proof of their continuous residence should be submitted to the Government before proposing allotments. If any allotments are not in accordance with the above, the Government will be at liberty to requisition the premises in question.

The proposals of the landlord must contain full particulars of each of the premises occupied by his allottees, viz., the particulars of old premises, if any, of the tenants who are allotted new tenements by the landlords, the exact location and address, rent, name of the landlord, the date when those premises will be vacant, whether they will be completely vacant and if not why not.

This concession to landlords is granted as an experimental measure for one year. If they are found misusing the concession, it will be withdrawn and the Government will consider the question of imposing full control over new buildings."

BOMBAY LAND REQUISITION ACT, 1948.

(*See Report* 1947, *page* 32.)

Full particulars of an Ordinance to provide for the requisitioning of land and for the continuance of requisition of land were reproduced in the Chamber's Report for 1947. In accordance with law, the abovementioned Ordinance was replaced by an Act known as the Bombay Land Requisition Act, which was passed and received the assent of the Governor-General on 11th April 1948.

Certain modifications were made in the Act in the light of experience gained in the working of the Ordinance, the more important of which are as follows :—

Clause 5 of the Act provided that buildings or parts of buildings, in which an owner, landlord or tenant had resided for a continuous period of six months immediately preceding the date of the order, were exempted from requisition. Sub-clause (2) of clause 5 stated that a declaration by the Provincial Government that a building or part of a building had not been in actual occupation of the owner, landlord or tenant for a continuous period of six months immediately preceding the date of a requisition order, would be conclusive evidence. Under clause 6 power was taken to require the landlord to let the premises either to specified persons or class of persons or in specified circumstances. No landlord would be required to accept a tenant in the building in which he himself resided without being heard. The occupation or the granting of permission to occupy vacant premises without Government consent was made a penal offence.

While the Land Requisition Ordinance applied to the whole of the Province, the Act was made applicable to the following areas :—

1. City of Bombay.
2. Bombay Suburban District.
3. Thana District.
4. Ahmedabad District.
5. Surat District.
6. Nasik District.
7. Poona District.
8. Sholapur District.
9. Ahmednagar District.
10. Belgaum District.
11. Dharwar District.

THE RESERVE BANK (TRANSFER TO PUBLIC OWNERSHIP) BILL, 1948.

The abovementioned Bill was introduced into the Constituent Assembly on 9th August. The objects are fourfold and provide:

(1) for the acquisition of all shares of the Bank held by members of the public against payment of compensation ;

(2) for enabling Government, after consultation with the Bank's Governor, to give directions to the Bank in matters of policy ;

(3) for amending the constitution of the Central and Local Boards which at present mainly represent shareholders ; and

(4) for effecting certain amendments including consequential amendmends in the Reserve Bank of India Act, 1934.

The Bill was passed by the Assembly on 3rd September and received the assent of the Governor-General on 23rd September 1948.

ESTATE DUTY BILL, 1948.

(*See Report* 1946, *page* 62.)

A reference to the Estate Duty Bill, 1946, will be found in the Chamber's Report for 1946 (page 62). The Bill was allowed to lapse and was replaced by another, with more or less identical terms, which was introduced into the Constituent Assembly in

March 1948. The object of the Bill was the same as in 1946, i.e., to impose an estate duty on non-agricultural property to assist the Provinces to finance their development schemes by fortifying permanently their revenues and enabling them to improve, *inter alia*, the existing social services.

In May 1948, the Associated Chambers of Commerce of India called for the views of constituent Chambers on the Bill, drawing attention to a letter from the Bengal Chamber of Commerce, who, while supporting the measure, stipulated that, with its passing, there would be even less justification than ever for a capital gains tax and urged for the abolition of the gains tax.

The Committee understood that the draft Bill, as circulated, would be considerably modified by the Select Committee, who had been told that they could make recommendations to change the title of the Bill to that of a " Property Duty Bill," whereby duty would be payable when property changed hands, instead of on the death of individuals. In view of this the Committee suggested that the Associated Chambers should address the Government of India pointing out that, as the Select Committee were likely to make substantial changes, Government should allow a fully reasonable period of time to elapse between the publication of the final terms of the Bill and the actual passing of it, for full discussion and comments from the public.

The Bill was referred to a Select Committee in April and the preliminary report of the Select Committee was presented by the Finance Ministry to the Assembly in August 1948. The House agreed to an extension of time for the submission of the final report up to the first week of the next Budget Session (February/ March 1949).

Asking for more time, the Finance Minister referred to certain difficulties which faced the Select Committee. It was expected that when the Bill to amend and codify certain branches of Hindu law was adopted, it would solve one of the main difficulties, with particular reference to the application of the Estate Duty Bill to Hindu undivided families.

TRANSFER OF PROPERTY (INDIA) ORDINANCE, 1948.

The above Ordinance provides that no document relating to property (other than agricultural land) required to be registered may be registered unless an Inspecting Assistant Commissioner of Income Tax has certified that every person having any right, title or interest in the property to be transferred has either paid or made provision for the payment of all existing or anticipated liabilities under the Income Tax, Excess Profits or Business Profits Tax Acts, unless the Registering Officer is otherwise satisfied that the registration should be allowed.

There seemed to be some doubt as to whether movable property included stocks and shares. The Chamber later received a copy of the representation made to the Central Board of Revenue, Government of India, by the Associated Chambers of Commerce of India which is reproduced hereunder :

" Whilst it is agreed that section 4 of the above-mentioned Ordinance is permissive, whilst from enquiries which the Chambers have made no abuse of its provisions has been evidenced, nevertheless its wide sweeping character introduces an element of doubt and uncertainty which has had and can further have delaying and unsettling effects on business. Assurances that the powers conferred on the executive branch of Government will not be applied automatically to all types and forms of business but will be selectively utilised carry with them little or no weight ; for there is no safeguard, no protest, no redress possible against a misuse of the powers. These are of such a wide and sweeping nature covering all types of property—except only agricultural land—making therefore a buyer liable not only for the purchase price of an article but for the unpaid tax dues of any prior party to the transaction up to the amount of the purchase price in question. Stocks and shares, currency, everything is with that sole exception mentioned within the ambit of the legislation.

" The Associated Chambers of Commerce would therefore press most strongly for the abolition of the measure or for such amendments to be introduced therein as will clearly define and limit its purposes to those intended. Representations to this end, they gather, have already been made by other commercial and business bodies and associations with the same end in view, and the hope is expressed that Government will give them their early attention."

Early in June 1948 the Government of India published Ordinance No. XI which amended section 4 of the original Ordinance and made it clear that it did not apply to stocks, shares and securities.

CAPITAL ISSUES (CONTINUANCE OF CONTROL) ACT.

In July 1948, the Associated Chambers of Commerce of India were informed by the Controller of Capital Issues, Ministry of Finance, that the Government of India had decided to set up an Advisory Committee in accordance with section 11 of the Capital Issues (Continuance of Control) Act, 1947, consisting of the following members :—

(*a*) Two members of the Constituent Assembly and one person to represent general interests to be nominated by the H. M. Finance.

(*b*) One representative each from the Associated Chambers of Commerce of India and the Federation of the Indian Chambers of Commerce and Industry to be nominated by these bodies. The Controller of Capital Issues will act as Secretary of the Committee.

The duties of the Committee will be to review the methods employed for the Control of Capital Issues and to advise Government on the general policy to be adopted in dealing with applications for Capital Issues in different fields of industrial and

commercial enterprise. Its function will be limited to advice on general principles and the procedure to be followed in carrying out these principles.

The Associated Chambers of Commerce of India will be represented on the Committee by MR. A. P. BENTHALL.

INDIAN TEA CESS ACT, 1903.

In June 1948 the Chamber was informed by the Ministry of Commerce, Government of India, that Government was considering the revision of the Indian Tea Cess Act, 1903, with a view to reorganising the Indian Tea Market Expansion Board and to utilising the cess funds collected under the Act on research and other measures beneficial to the tea industry.

The Committee had no comments to offer on the proposed amendments.

LABOUR.

LABOUR UNREST—TOKEN STRIKE IN COTTON MILL INDUSTRY.

Throughout the year, there was a great deal of labour unrest which resulted in numerous strikes and a decline in production. In spite of machinery set up to deal with labour disputes, there were indications at times that labour were not willing to abide by the law and in one case it was decided by the textile workers of Bombay to stage a token strike on 11th August 1948.

The number of workers involved in the strike was in the region of 50,000.

On 4th August the Government of Bombay issued a Press Note, through the Director of Publicity, drawing the attention of the textile workers to the consequences to which they would lay themselves open by participating in the strike called on the issue of dearness allowance.

Government pointed out that a large number of the factories and the workers concerned were bound by conciliation settlements and awards of Industrial Tribunals in regard to dearness allowance and, moreover, a number of other disputes about dearness allowance were pending adjudication before the Tribunals.

Section 23 of the Industrial Disputes Act forbade strikes not only during the currency of conciliation settlements and awards of Tribunals, but also during the pendency of proceedings

before Tribunals. Consequently a strike, so far as such workers were concerned, would be illegal and by resorting to it they would incur the penalties and liabilities attached to illegal strikes.

Members of the Chamber were advised by circular No. 365/2824 of 10th August of a conference, which was convened by the Labour Minister on 5th August, in which it was decided that employers should resist the threatened token strike. In doing so they would have the support of Government. It was pointed out, in the case of concerns falling under the Bombay Industrial Relations Act, that the strike would be illegal, as the requisite notice had not been given. Even in the case of other concerns, wherever any adjudication had been made on the issues raised and the time under the Award had not expired, or where the issues were under adjudication, the strike would be illegal. In all such cases employers would be justified in dismissing one or more of the men concerned or taking such other steps against them as they felt justified. It was pointed out that any such *bona fide* action taken would not be the subject matter of any reference to a Court or Tribunal and would be strongly supported by Government.

Employers were accordingly requested to give notice in advance of the illegality of the strike and the action they proposed to take in the event of such strike taking place. They were also requested to keep their establishments open and admit all workers who desired to work. Even in the rare cases where the strike was not *prima facie* illegal, it would be a breach of the Industrial Truce, and the employers would be justified in taking such action against the instigators as was permissible under the law.

On 10th August the Full Bench of the Bombay Industrial Court, consisting of Mr. Justice Sen (President), Dewan Bahadur G. B. Kamerkar and Mr. M. C. Shah, pronounced orders declaring the proposed strike of the Bombay textile workers on 11th August to be illegal.

Due, undoubtedly, to the firm stand made by Government and employers, the strike was a complete failure and the large majority of workers reported themselves for duty on that day.

BILL TO CONSOLIDATE AND AMEND THE LAW REGULATING LABOUR IN FACTORIES.

This Bill was introduced in the Constituent Assembly on the 3rd of December 1947 and was published in the *Bombay Government Gazette* on 8th January 1948 for eliciting public opinion. The Bill was referred to a Select Committee on the 30th January 1948.

In addressing the Commissioner of Labour, Factory Department, Bombay, regarding the above Bill, the Committee of the Chamber expressed the following views:

Clause 2.—Sub-clause (1) defined the meaning of "worker" and the definition included the words "or in any other kind of work whatsoever incidental to or connected with the manufacturing process," and included any person solely employed in any room or place where any manufacturing process was being carried on. It was not clear whether clerks employed in, e.g., a room which was part of the main factory building but happens to be partitioned off from the area where the manufacturing process was being carried on will be included within this definition. The Committee were of opinion that persons employed in clerical work in any building which was actually inside a factory compound, whether adjoining the main factory buildings or not, should be brought within the scope of the Act.

Clause 12.—Sub-clause (1) (*d*) provided, *inter alia*, that all inside walls, partitions and ceilings of rooms, also all the walls and ceilings of staircases and passages which were painted or have smooth impervious surfaces shall be washed at least once in every 14 months with hot water and soap or other suitable detergent. In some factories this might be possible and might in fact be necessary, but in many the reverse applied. In the case of textile mills, for instance, the washing of the ceilings with hot water and soap would result in very considerable damage to the machinery and goods in process. Walls, partitions and ceilings could be kept sufficiently clean by dusting or brushing as was done in most factories and there was no need whatever for this specific provision regarding washing with soap and water at interval, of 14 months. The sub-clause should be deleted.

Clause 14.—This was vaguely worded and gave far too much scope for harassment of factory owners by inspectors who might have widely different views as to what was or was not a reasonable temperature in any factory. The clause should be amended to make it clear (as was the case in section 16 of the existing Act) that if the ventilation could be improved or the temperature lowered by any measures they should be "measures which would not involve an amount of expense which was unreasonable in the circumstances."

Clause 19.—This again, was another loosely worded clause as in most cases there was no need for any special arrangements for the cooling of drinking water when it was drawn straight from taps. Moreover, there were many who held that the drinking of refrigerated water by men working in such places as boiler shops was injurious to health.

Sub-clause (2) specified that no point at which drinking water was supplied should be situated within 20 feet of any washing place, urinal or latrine. Such a stipulation was unnecessary if the drinking water arrangements were in an entirely separate room and it was considered that a proviso to this effect should be added. The Committee further considered that this clause should in any event apply to all factories and not only to those in which power was used and more than 250 workers were ordinarily employed.

Clause 20.—The provisions of sub-clause (2) should similarly be applied to all factories and not restricted to those employing more than 250 workers.

Clause 22.—This clause, dealing with fencing of machinery, admittedly could not be drafted in too precise terms and it was, therefore, very important that careful directions should be given to factory inspectors. The Committee wished to stress this point because there had been cases in which inspectors had made what could only be called preposterous demands. As an instance, one factory owner was recently informed that he must fit fencing round an exhaust fan situated in the wall of a building about 15 feet above the floor level.

Clause 26.—The provisions of this clause regarding casing of new machinery would in many cases prove to be quite impracticable. Machinery makers were responsible for supplying the correct types of protection to all machines they sold and these were generally made to an approved standard. In the case of machines which were so supplied it should be laid down that the standard form of casing provided by the makers would be accepted by the inspecting authorities in this country.

In the opinion of the Committee sub-clause (2) of this clause should be deleted as there was no justification for it whatever. If any machinery in use was inadequately cased the responsibility for this must obviously rest on the factory owner and not on the seller of the machine or his agent.

Clause 44.—There was no justification for specifying that seating arrangements should be provided in every factory for all workers who are obliged to work in a standing position. Sub-clause (1) should, therefore, be altered to read that seating arrangements should be provided in those factories where the nature of the work was likely to afford the workers any opportunity for rest during the course of their work. Sub-clause (2) should be deleted as it was most unreasonable for a factory inspector to have the right to decide whether a worker in any factory could carry on his work more efficiently in a sitting position than when standing. That was a matter for the employer to decide and in cases where the worker could carry out his work more efficiently in a sitting position the employer would obviously provide the necessary seating arrangements.

Clause 45.—This clause was headed " first aid appliances " and sub-clause (3) provided that in every factory where there were more than 1,000 workers there should be an ambulance room or dispensary. The word dispensary should be substituted by the words " first aid room."

Clause 46.—This clause would allow different Provincial Governments to specify different standards for the canteens to be provided for the use of the workers. While it may be impracticable to define the standard very specifically, the Committee considered that some general minimum standard, e.g., the area in relation to the number of workers, should be prescribed in the Act.

Sub-clause (2) (c) was objectionable and should be deleted. There was no need for Provincial Governments to have the power to say what foodstuffs an employer should provide in the canteen and certainly no justification for settling the price he might charge.

Clause 47.—If it was correct to assume that shelters and rest rooms referred to in this clause meant shelters or rest rooms for the use of any workers temporarily indisposed, the clause was unobjectionable.

Clause 49.—While it might be desirable for Government to prescribe the duties and qualifications of welfare officers, the Committee considered there was no justification for them to prescribe conditions of service, which were a matter for arrangement between employer and employee.

Clause 55.—It was specified in this clause that no adult worker in a factory should work for more than five hours each day before he had had an interval for rest of at least half an hour or such longer duration, not exceeding one hour as might be prescribed and sub-clause (*b*) limits the period of work to eight hours unless the worker had had at least two such intervals. It was presumed that the two intervals here referred to were to be intervals of at least half an hour each. This required clarification because the clause as at present drafted might possibly be considered to mean that these two intervals would in some cases be one hour each.

Clause 59.—Sub-clause (3) specified that for the purpose of this clause ordinary rate of pay included basic rate of pay and such allowances as the worker was for the time being entitled to, but did not include a bonus. To this the Committee objected most strongly. They did not agree that " basic

wages" should include, e.g., housing allowances, or dearness allowances granted to workers to counteract abnormal economic conditions. This same question came up two years ago when there was a statement in the February 1946 issue of the *Indian Labour Gazette* to the effect that the Government of India were of opinion that dearness allowance or war allowance should be treated as part of the ordinary rate of pay for the purpose of calculating overtime under section 47 of the Factories Act. This *ex-parte* interpretation by the Government of India was not accepted and in May 1946, the Associated Chambers of Commerce, on behalf of all constituent Chambers, put it on record with the Government of India that they held and, until the matter was otherwise decided by a competent court, would act upon the view that an employee's ordinary rate of pay does not include emergency allowances or other emoluments which were temporary in nature and not based upon the actual rate of pay. The Committee still adhered to that view.

Clause 60.—It was obviously impossible for a factory owner to ensure that any worker in his factory on any day had not already been working in any other factory on that day. This clause, therefore, seemed valueless unless it was clearly laid down that the prohibition applied to the worker himself and was no concern of the factory owner.

Clause 80.—*Proviso to sub-section* (1).—This proviso referred to "termination of service" of a worker who had completed a period of six months' service in a factory. The right to annual holidays accrued to workers under clause 80 only after a worker had completed twelve months' continuous service in a factory, and the Committee failed to see how a partial right can accrue after six months' service. In any case, they did not consider that a worker should be entitled to a proportionate number of holidays where he was dismissed for misconduct or left service without notice to the employer.

Clause 80—*Sub-clause* (3).—This sub-clause provided that a worker might in any period of 12 months, apply in writing to the manager of the factory not less than three full working days before the day on which he desired his holidays to begin . . . the Committee considered this period far too short and suggested that the minimum number of days' notice should be seven except in special circumstances to be decided by the manager.

Clause 80—*Sub-clauses* (4) *and* (5) provided for a leave scheme to be prepared by works committees or by the management in consultation with representatives of workers. The Committee were opposed to these two sub-clauses as they were of the opinion that the management must be permitted to grant leave in accordance with the exigencies of the factory.

Explanations 1 *and* 2.—The Committee's understanding of explanation 1 was that the qualifying period was twelve months (sub-section (1)) and that the following deductions are allowed in "continuous service":

		Months
Sickness, accident, and authorised leave.	One-quarter of the period..	3
Lockout or by a strike which is not an illegal strike.	Not exceeding 1/12th of the period.	1
	Total ..	4

This left eight months of 26 days per month which was equal to 208 days. They enquired whether this interpretation was correct.

Explanation 2 meant that unauthorised periods of leave up to 20 days in twelve months are to be condoned. This was most objectionable and could only have the result of undermining discipline and reducing production. The Committee protested most strongly against this quite unnecessary and indeed

dangerous provision. In the Model Standing Orders set out in the Schedule of the Industrial Employment (Standing Orders) Central Rules habitual absence without leave or absence without leave for more than 10 days constituted misconduct. This period of 10 days was in itself considered too long and in no event should be exceeded in the Bill now under consideration.

The Select Committee's Report was presented to the Constituent Assembly in August. The Select Committee made the following amendments to the Bill.

Clause 2 (1).—The definition of a worker was altered so as to include " a person employed directly or through any agency " . . .

Sub-clause 11 (*d*) (*ii*). (See clause 12 of the Bill.)—The Select Committee improved on the original wording of this clause by substituting the words " clean " for the word " washed " and the words " with hot water and soap or other suitable detergent " were omitted.

Clause 18 (3). *Drinking water.* (See clause 19 of the Bill.)—In commenting on this clause the Chamber Committee stated that they saw no need for any special arrangements for the cooling of drinking water when it was drawn straight from the taps. Moreover, there were many who held the view that the drinking of refrigerated water by men working in such places as boiler shops was injurious to health. It was satisfactory that the Select Committee deleted the words " by refrigeration."

Clause 49. *Welfare officers.*—The Select Committee made it obligatory for all factories employing 500 or more workers to engage the services of such number of welfare officers as may be prescribed. The Chamber's objection to prescribing conditions of service for such officers was not accepted.

Clause 55. *Intervals of rest.*—The Chamber's request that this clause should be clarified was met inasmuch as the Select Committee made it clear that no worker shall work for more than five hours before he has had an interval for rest of at least half an hour.

Clause 59. *Extra wages for overtime.*—The Select Committee altered the term " pay " to that of " wages " wherever it occurred in the clause. They also amplified the definition of the term " ordinary rate of wages " so as to include within its meaning all payments and concessions made to a worker whether in cash or in kind, except bonuses.

Clause 79. *Annual leave with wages.*—The Select Committee made important changes in this clause. According to the formula they prescribed, a worker after having completed a period of 12 months' continuous service shall be allowed during the subsequent period of 12 months' leave with wages calculated at the rate of one day for every 20 days of work performed by him during the previous period of 12 months subject to a minimum of 10 days. In the case of a child the calculation was based on one day for every 15 days of work performed by him during the previous 12 months subject to a minimum of 14 days. The period of leave shall include any holiday which may occur during that period. The provision in the original Bill for holidays with pay to workers who had not completed a period of 12 months' continuous service was retained and the period of six months' continuous service has been reduced to four.

Sub-clause (3).—The Chamber's recommendation that a worker when requiring leave should apply at least seven days before the date on which he wishes his leave to begin, has been met by the Select Committee providing that the number of days' notice necessary should be not less than 15.

Sub-clauses (4) *and* (5). *Leave schemes.*—The Chamber's objection to a leave scheme being prepared by a works committee or by the management in consultation with representatives of workers, has not been accepted.

Under explanation 1 to this clause a worker shall be deemed to have completed a period of continuous service notwithstanding any interruption in the service during the period brought about by sickness, accident or authorised leave, not exceeding in the aggregate one-sixth of the period. In the original Bill this was one-fourth of the period.

By explanation 2 authorised leave includes absence due to any reasonable cause. The period within which a worker must give reasons for absence was raised from three days to one week, and the periods of unauthorised leave reduced in the aggregate from one-eighteenth of the period of continuous service to one-thirty-sixth.

The Bill was passed by the Constituent Assembly on 28th August and received the assent of the Governor General on 23rd September 1948.

EMPLOYEES' STATE INSURANCE ACT.

This Bill was considered by the Chamber in November 1946. It was then known as the Workmen's State Insurance Bill. In November the same year it was referred to a Select Committee whose report was published in February 1948.

The Select Committee were of the opinion that the benefits provided by the Bill should not be confined to workmen only but should be extended to other employees in factories. They accordingly substituted the terms "employee or employees" for "workman and workmen" wherever they occurred in the Bill and renamed it the "Employees' State Insurance Act."

The Select Committee's report was considered by the Committee of the Chamber in consultation with the Labour Sub-Committee who had the following comments to make:—

Clause 2 (22)—*Definition of the term "wages."*—The Select Committee had recommended that "wages" should mean all remuneration paid or payable in cash to an employee, if the terms of the contract of employment, expressed or implied, were fulfilled and included other additional remuneration, if any, paid at regular intervals after the last day of the wage period but did not include:

(*a*) any contribution paid by the employer to any pension fund or provident fund or under this Act;

(*b*) any travelling allowance or the value of any travelling concession;

(*c*) any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; or

(*d*) any gratuity payable on discharge.

The Committee were strongly opposed to this definition of wages and were of the opinion that the wages of an employee should be his "basic wages" and nothing more.

Clause 27.—The Committee welcomed the inclusion of this clause which provided that the Central Government should, every year during the first five years, make a grant to the corporation of a sum equivalent to two-thirds of the administrative expenses of the corporation not including therein the cost of any benefits provided by or under this Act. The Committee considered that as this was a new experiment in India and the cost in the beginning was likely to be high, the Central Government should in the interests of the successful working of the Act, bear the full administrative expenses for the first ten years.

Clause 46 (2).—*Benefits.*—Under this clause the Corporation may, at the request of the appropriate Government and subject to such conditions as may be laid down in the regulations, extend the medical benefits to the family of an insured person. The Committee considered that if benefits under the scheme were to be extended to families, it should be done on an all-India scale as otherwise it would be an additional burden on some provinces only. In any case, they pointed out that so far as the U.K. Act was concerned, the benefits were not applicable to families.

Clauses 38 *and* 39.—These two clauses referred to contributions which were to be paid at the rates specified in the First Schedule. It was noted that under this schedule employers were called upon to pay twice the amount of the employee's contribution. The Committee saw no justification for such a scale of contribution and suggested that a more equitable basis would be for employers and employees to contribute equally to the fund.

Clause 73.—According to this clause no employer should dismiss, discharge, reduce or otherwise punish an employee during the period the employee was in receipt of sickness benefit or maternity benefit . . . The Committee took exception to this clause as it was quite possible that occasions might arise in any industry when it became necessary to retrench a certain number of employees which could not be done under this clause as framed by the Select Committee. They suggested, therefore, that the clause should be re-worded so as to make a notice of dismissal, discharge or reduction invalid and inoperative only if such notice was given as a form of punishment during the period the employee was in receipt of benefits under the Act.

The Select Committee's report was presented to the Constituent Assembly on 1st April 1948 and the Bill so amended was passed by the Assembly on the 2nd April 1948.

By notification No. SS.21 (2) of 31st August, published in the *Gazette of India Extraordinary* of 1st September, the Central Government intimated that Chapters I, II, III and VIII of the Act came into force from 1st September. By another notification No. SS.21 (2) of the same date, the Central Government established, under sections 3 and 4 of the Act, with effect from 1st October 1948, the Employees' State Insurance Corporation, under the Chairmanship of the Minister for Labour (consisting of the following members):—

Chairman

(1) The Minister for Labour in the Central Government (ex-officio).

Vice-Chairman

(2) The Minister for Health in the Central Government (ex-officio).

Members

Nominated by the Central Government under clause (*c*) of section 4 :

(3) Dr. K.C.K.E. Raja, Director-General of Health Services.

(4) Shri A. K. Roy, Joint Secretary to the Government of India, Ministry of Finance (Industries and Commerce Division).

(5) Shri K. N. Subramanian, O.B.E., I.C.S., Joint Secretary to the Government of India, Ministry of Labour.

(6) Shri N. S. Mankiker, B.Sc., B.E., A.M.I.E. (Lond.), Chief Adviser of Factories.

(7) Rai Bahadur Sadashiva Prasad, M.A., B.L., Deputy Secretary to the Government of India, Ministry of Labour.

Nominated by the Provincial Governments under clause (*d*) of section 4 :

(8) Shri D. C. Das, I.C.S., Secretary to the Government of Assam, Department of Labour, Shillong.

(9) Shri K. Raman, I.C.S., Secretary to the Government of Bihar, Labour Department, Patna.

(10) Shri N. K. Dravid, I.C.S., Secretary, Labour Department, Government of Bombay, Bombay.

(11) Shri P. K. Sen, Labour Commissioner, Central Provinces and Berar, Nagpur.

(12) Mr. A. L. Fletcher, Secretary, Medical, Local Government and Industries Departments, Government of East Punjab, Simla.

(13) Rao Sahib C. G. Reddi, Commissioner of Labour, Madras.

(14) Shri V. Ramanathan, I.C.S., Secretary to the Government of Orissa, Department of Labour, Cuttack.

(15) Shri T. Swaminathan, I.C.S., Secretary to the Government of United Provinces, Labour Department, Lucknow.

(16) Shri D. S. P. Mukherjee, Joint Secretary, Commerce, Labour and Industries Department, Government of West Bengal, Calcutta.

Nominated by the Central Government under clause (*e*) of section 4 to represent the Chief Commissioners' Provinces :

(17) Dr. B. R. Seth, Director of Industries and Labour, Delhi.

Nominated by the Central Government under clause (*f*) of section 4 in consultation with the organisations of employers :

(18) Shri K. P. Goenka, 4, Clive Ghat Street, Calcutta.

(19) Shri Dharamsey Mulraj Khatau, c/o the Millowners' Association, P. O. Box No. 95, Bombay.

(20) Shri Madanmohan Mangaldas, c/o the Millowners' Association, Lal Darwaja, Ahmedabad.

(21) Shri C. S. Ratnasabapathi Mudaliar, Avanashi Road, Coimbatore (S. India).

(22) Sir Shri Ram, 22, Curzon Road, New Delhi.

Nominated by the Central Government under clause (*g*) of section 4 in consultation with the organisations of employees :

(23) Shri Somnath P. Dave, c/o Textile Labour Association, Lal Darwaja, Ahmedabad.

(24) Shri R. K. Haldulkar, General Secretary, Central Provinces Mine Workers' Union, New Extension Area, Chitnavis Gunj, Chhindwara (Central Provinces).

(25) Shrimati Shanta Mukherji, Assistant Secretary, All-India Trade Union Congress, c/o Radha Nivas, Parsi Colony, 776-A, Tilak Road, Dadar, Bombay.

(26) Shri Kasinath Pande, Padrauna, District Gorakhpur, United Provinces.

(27) Shri V. M. Tarkunde, Bar-at-Law, 8, Ratilal Mansions, Parikh Street, Girgaum, Bombay, 4.

Nominated by the Central Government under clause (*h*) of section 4 in consultation with the organisations of medical practitioners :

(28) Lt.-Col. Amir Chand, F.R.C.P.E., I.M.S. (Retd.), " Green View," Simla.

(29) Dr. V. D. Sathaye, 502, Narayan Peth, Poona, 2.

Elected by the Central Legislature under clause (i) of section 4 :

(30) Shri Ajit Prasad Jain.

(31) Shri Khandubhai K. Desai.

Dr. C. L. Katial was appointed Director-General of Employees' State Insurance.

MINIMUM WAGES BILL.

(*See Report for* 1946, *page* 105.)

It was recorded in the Chamber's Report for 1946 that a Bill to provide for fixing minimum wages in certain employments was introduced into the then Central Assembly on 11th April 1946. For want of time the motion to have the Bill circulated for information could not be moved during that session and the Government of India referred the Bill to a Select Committee. The Select Committee's Report was presented to the Constituent Assembly during February 1948. As previously indicated the Bill provides that every Provincial Government (and in the Centrally Administered Areas, the Central Government) shall fix minimum wages before the expiry of three years for all agricultural workers and before two years in other occupations listed in the Schedule below which are not generally regulated by other labour legislation, such as the Factories Act. The fixing of minimum wages is to be done by a series of committees and sub-committees and co-ordinated by a Central Advisory Board. The minima are to be reviewed at such intervals not exceeding five years as the appropriate Government may think fit. Wages may be in cash or kind, but where they are paid in kind partly or wholly, the cash value should not be less than the minimum. Another clause in the Bill gives the option to the appropriate Government to divide the minimum wage into a basic rate of wages and a special allowance to be adjusted according to variation in the cost of living index number or a basic rate and supplies of essential commodities at concession rates, or an all-inclusive rate. Severe penalties have been provided for evasion and infringement.

The Bill was passed by the Constituent Assembly on 9th February and received the assent of the Governor General on 15th March, 1948.

THE SCHEDULE.

(*See sections* 2 (*g*) and 27.)

PART I.

1. Employment in any woollen carpet making or shawl weaving establishment.
2. Employment in any rice mill, flour mill or *dal* mill.
3. Employment in any tobacco (including *bidi* making) factory.
4. Employment in any plantation, that is to say, any estate which maintained for the purpose of growing cinchona, rubber, tea or coffee.
5. Employment in any oil mill.
6. Employment under any local authority.
7. Employment on road construction or in building operations.

8. Employment in stone breaking or stone crushing.
9. Employment in any lac manufactory.
10. Employment in any mica works.
11. Employment in public motor transport.
12. Employment in tanneries and leather manufactory.

PART II.

1. Employment in agriculture, that is to say, in any form of farming, including the cultivation and tillage of the soil, dairy farming, the production, cultivation, growing and harvesting of any agricultural or horticultural commodity, the raising of live-stock, bees or poultry, and any practice performed by a farmer or on a farm as incidental to or in conjunction with farm operations (including any forestry or timbering operations and the preparation for market and delivery to storage or to market or to carriage for transportation to market farm produce).

THE BOMBAY INDUSTRIAL RELATIONS AMENDMENT ACT, 1948.

A Bill to amend the Bombay Industrial Relations Act of 1946 was introduced in the Bombay Legislative Assembly on 3rd April and passed by the House on the same day.

The main purpose of the Bill was :—

1. To set up Wage Boards for each industry in the Province consisting of an equal number of members nominated to represent employers and employees in the industry and also some independent members nominated by Government. It is intended that Wage Boards will consider questions affecting the industries such as standardisation of wages, rationalisation, efficiency of work, etc. The Boards will come under the general superintendence of the Industrial Court. The decision of the Wage Board will be subject to appeal to the Industrial Court and provision is made for review by the Wage Board of its decisions at an interval of not less than a year, on application by the affected parties provided they represent or employ not less than 15 per cent. of the affected employees.

The constitution, etc., of Wage Boards are set out in Clauses 86A to 86L and these are summarised as follows :—

(1) Clause 86B—that a Wage Board shall consist of an equal number of persons nominated by the Provincial Government to represent employers and employees and such number of independent persons as the Provincial Government nominates. The Chairman of the Board shall be appointed by the Provincial Government.

(2) Clause 86C stipulates that the Provincial Government may by an Order notified in the official *Gazette*, refer to a Wage Board for decision any industrial matter or industrial dispute regarding—

(*a*) reduction intended to be of a permanent or semi-permanent character in the number of persons employed or to be employed in any occupation or process or department or departments or in a shift not due to *force majeure* ;

(*b*) permanent or semi-permanent increases in the number of persons employed or to be employed in any occupation or process or department or departments;

(*c*) rationalisation or other efficiency system of work;

(*d*) wages including period and mode of payment;

(*e*) hours of work and rest intervals.

(3) Clause 86D provides that where an industrial matter or industrial dispute is referred for decision to a Wage Board under clause 86C no proceedings regarding the same shall be commenced before a Conciliator, Labour Court, Industrial Court or Court of Enquiry and any such proceedings already commenced shall be forthwith stayed on the making of the reference.

(4) Clause 86E prescribes the procedure to be followed by a Wage Board in dealing with any industrial matter or dispute referred to it for decision.

(5) Clause 86G provides that an appeal shall lie to the Industrial Court against an order or decision of a Wage Board (including a reviewed order or decision) except in cases referred to in section 86F of the Bill which deals with the procedure to give effect to a decision of a Wage Board affecting the Provincial Government. Such appeals must be made within six weeks from the date of the order or decision.

(6) Clause 86I enables an employer, employee or an association or group of employers or a registered union or body of employees to apply to a Wage Board for review of an order or decision, provided a period of one year has elapsed from the date of the making or giving of the order or decision or the last review thereof, as the case may be. There is a further proviso which stipulates that no such application can be made by an employer unless he employs not less than 15 per cent. of the employees whom the order or decision binds, and in the case of employees, that they represent not less than 15 per cent. of the employees whom the order or decision binds.

(7) Clause 86J refers to the superintendence of Wage Boards by the Industrial Court.

(8) Clause 86L provides for the setting up on similar lines of a Provincial Wage Board for all industries together for handling questions common to all industries.

2. Section 106 of the Industrial Relations Act, 1946, provides for the setting up of Joint Committees. In the statement of objects and reasons of the amendment Bill it is stated that the provision for Joint Committees which under the Act is permissible has not produced satisfactory results. Government has, therefore, taken power under the amending Bill on an application made to it by a registered union to direct the constitution of a Joint Committee. The order of Government will prescribe a time limit for employers to nominate members to the Joint Committee and failure to comply will be penalised.

3. Clause 13 of the Bill enables a registered union which is representative of employees and the rules of which provide that "no strike shall be sanctioned or resorted to by it, unless all the methods provided by or under the Act for the settlement of an industrial dispute have been exhausted and the majority

of its members voted by ballot in favour of such strike," to refer at any time an industrial dispute for arbitration to the Industrial Court, " provided that no such dispute shall be referred to the Industrial Court where under any provision of this Act it is required to be referred to the Labour Court for its decision." By avoiding the intermediate stage of conciliation it is hoped that this method will facilitate a speedy settlement of disputes.

In October, another Bill was introduced and passed by the Assembly for the purpose of amending certain parts of the Act. The main provisions of the amending Act are as follows :

(i) The condition for retention of registration of a union under the Bombay Industrial Relations Act, 1946, is that it shall not take part in illegal strikes, etc. The same condition is attached to acquisition of registration under the Act.

(ii) The period of twelve months for repeating the process of electing representatives of employees makes elections too frequent and burdens the administration. The period was, therefore, extended to two years.

(iii) When an employer or employee gives a notice of change, provision is made for the notice to be adopted by other employers or employees in the same industry so that disputes may be consolidated and decided together.

(iv) Where both parties are agreeable, disputes are permitted to be split into parts for purpose of conciliation.

(v) In order to relieve congestion in the Industrial Court, power is taken to transfer cases, on the recommendation of the Industrial Court, from that court to such Wage Boards as have the necessary powers of disposal.

(vi) Where stoppages or closures of work are caused in relation to an industrial dispute but under the guise of a protest against a course of action taken or not taken by the Provincial Government or a public servant, such stoppages and closures have been made illegal. Stoppages are also made illegal if agitated in sympathy with strikes which are themselves illegal.

(vii) Provision is made for the modification of an award, provided the award has run a life of one year. This would enable parties to apply for modification of the whole or any part of an award instead of terminating it by a notice and thereby to secure the benefit of the current award till its modification.

BILL TO AMEND THE INDIAN TRADE UNIONS ACT, 1926.

(*See Report* 1947, *page* 109.)

It was recorded in the Chamber's Report for 1947 that the Select Committee's Report had been considered by the Committee of the Chamber who noted from clause 4 (new section 28A) that the Government of India intended that they should be the " appropriate authority " in the case of unions whose workmen were employed in essential services, i.e., railways, mines, oilfields and major ports. The Committee considered that in the case of the latter, it was necessary to include, in addition to Port Trust workmen, others employed in work in the port such as stevedores'

men and they accordingly enquired of the Government of India whether the words " workmen employed in a major port " under section 28A were intended to include employees such as stevedores' men working in the docks' area.

In reply, the Ministry of Labour, Government of India, stated that it was the intention that the Central Government should be the " appropriate Government " in respect of trade unions consisting of categories of workmen like stevedores' men employed in major ports but not necessarily by the major ports. The Ministry was also of the opinion that the proposed section 28A as now worded achieved this purpose inasmuch as it referred to " workmen employed . . . *in* a major port . . ." and *not* by a major port.

The Bill was passed by the Assembly on 19th November 1947.

In January 1948 a further query was raised with the Ministry of Labour. There was some doubt as to the exact meaning of the words " in a major port." It was assumed that it was Government's intention that these words should include only the dock's areas and presumably also fuel oil installations on Port Trust property. The Committee pointed out that there were a number of concerns in Bombay whose factories, although outside the docks areas, were in fact situated on land belonging to the Bombay Port Trust; some of them in fact were situated on land actually adjoining the harbour. The Committee therefore sought confirmation that the words " in a major port " meant, for purposes of the Trade Unions Act, only the docks area.

In their reply, Government stated that the expression "workmen employed....in a major port" was intended to cover all workmen employed in the working of the port or any kind of work incidental to or connected with such working.

THE BOMBAY INDUSTRIAL EMPLOYMENT (STANDING ORDERS) RULES, 1948.

The Bombay Industrial Employment (Standing Orders) Rules, 1948, were published in the *Bombay Government Gazette* of 22nd July. The draft rules provided for two sets of standing orders, one for workmen and the other for clerks. The Standing Orders for workmen are, to a large extent, similar to the Model Standing Orders, which were published by the Government of India in December 1946.

The draft rules and the Model Standing Orders, as set out in Schedule (1) appended to the rules, were considered by the Committee, in consultation with the Labour Sub-Committee,

upon whose recommendations the Committee addressed the Government of Bombay in the following terms :—

It is noted that under the heading Model Standing Orders, the following appears :—(*A*) *For workmen doing manual work.*—The Committee consider that workmen should include all categories of workers except technical, supervisory and electrical staff. As they presume this is also Government's intention, they recommend that the words ' doing manual labour ' should be omitted. Similarly the words " to do manual labour " should be deleted from Order No. 1.

Order No. 3 (2) (*a*).—This requires that a permanent worker's appointment must be confirmed in writing by the Manager and includes a workman who has completed a probationary period of two months in the aggregate in the same or another occupation in the establishment. It does not appear to be necessary that a permanent workman's appointment must be confirmed in writing by the Manager. The Committee consider that confirmation should be in writing by the Manager or by a person(s) authorised by the Manager. Further, they suggest that the probationary period of two months in the aggregate is too short and would prefer to extend this to six months which would coincide with the leave rules under the new Factories Amendment Act.

Order 3 (2) (*b*).—*Probationer.*—Against this order the Committee suggest that the period of service should be extended from two months to six months.

Order 3 (2) (*f*).—*Apprentice.*—According to the proviso to this Order, no workman shall be classified as an " apprentice " if he has had training for an aggregate period of one year. The Committee consider that the period of one year is far too short and would point out that in the case of a Marine Engineer the apprenticeship period is four years, in the printing trade the apprenticeship period is seven years and in the mechanical line it is five years. Furthermore, they understand that the special scheme which operates, under the Director of Industries requires an apprentice to complete a period of five years. The Committee, therefore, strongly recommend that this proviso should be amended accordingly.

Orders Nos. 6, 7 *and* 8.—These three Orders call for the display of notices showing periods and hours of work, weekly holidays under section 35 of the Factories Act and the rates of wages. The Committee note that in some cases such as periods and hours of work, notices are required to be displayed in the various departments of the establishment, in the timekeeper's office and at or near the main entrance to the establishment. It is felt that it will be sufficient if all the notices called for under these three Orders are conspicuously displayed at the timekeeper's office or at the main entrance.

Order No. 9 (2).—Under this Order the unclaimed amount of wages due to a workman shall be paid on the days notified under this Standing Order and on the day following the date on which a substantiated claim was presented by the workman. To adhere to this would mean that unclaimed wages would be paid on two or more days in any week and as this would not appear to be Government's intention, the Committee suggest that this Order should read as follows :—

" The unclaimed amount of wages due to a workman shall be paid on the days notified under this Standing Order and on the unclaimed wages pay day following the date on which a substantiated claim was presented by the workman. . . . "

Order No. 10 (c).—This requires an employer, whenever an additional shift is started or shifts are altered or discontinued, to give seven days' notice and, if the discontinuance of a shift is likely to result in the discharge of any permanent workman, then the employer is required to give one month's notice. The Committee consider that one month's notice before discontinuance

of a shift is excessive and in the case of an industry where work is of an intermittent nature it would be a definite interference. In some industries it is not possible to say when a shift may be required and it would clearly be quite impossible to give one month's notice prior to the discontinuance of a shift, or one week's notice prior to the commencement of a shift. The Committee consider that two weeks' notice before discontinuance of a shift is adequate, and that in any case it will probably be necessary even to give exemption in respect of this period to certain industries where the work is of an intermittent nature. This is particularly true of the ship-repairing industry where work is very much of a " jobbing " nature and in which urgent repairs are often required when it is only possible to give a few hours' notice of the intention to work additional shifts. It will be appreciated that the current practice must be adhered to in view of the extreme importance of the quickest possible turn-round to shipping.

Order No. 10 (*d*).—This states that if, as a result of discontinuance of shift-working, any permanent workmen are likely to be discharged, they shall be discharged having regard to the length of their service, those with the shortest service being discharged first. The Committee consider that ordinarily this would be the case, but it should not be the only criterion. They are of the opinion that, in addition to length of service, an employer would naturally wish to take into account a workman's efficiency and his attendance, and they, therefore, recommend that the rules should be amended to include these considerations as well as length of service.

Order No. 10 (5).—This Order, if read in conjunction with Order No. 10 (2), means that a department cannot restart work until after the expiry of seven days' notice. It is conceivable that within two or three days of the notice appearing 50 per cent. or even more of the workmen whose services were terminated on account of the closure, might report themselves back for duty, in which case it will be to the advantage of the establishment and the workers if they could start work at once instead of having to wait for the full period of seven days. The Committee, therefore, suggest :—

(1) that the last sentence of this Order should be amended to read as follows :—

" Provided they present themselves for service within seven days of the re-opening of the department or section " ;

(2) after the words " according to their length of service " should be added the words " efficiency and attendance " ;

(3) the sentence " before re-opening such department or section as the case may be seven days' notice thereof shall be given " should be deleted from Order No. 10 (2).

Order No. 11 (1).—This refers to workmen attending their duties at the time fixed and notified. The Committee note that workmen attending late shall be liable to be shut out and treated as absent provided no workman who attends within fifteen minutes of the starting time shall be shut out. The Committee consider that the margin of fifteen minutes is far too wide and they are strongly in favour of this Order being deleted and substituted by Order No. 8 of the Government of India Model Standing Orders which reads as follows :—

" All workmen shall be at work at the establishment at the times fixed and notified. Workmen attending late will be liable to the deductions provided for in the Payment of Wages Act, 1936."

Order No. 13 (2).—This Order refers to the granting of leave of absence. The Committee consider that in large establishments employing several hundreds of workers seven days' notice is not sufficient and recommend that applications for leave should be made at least 14 days before the date from

which the leave is to commence. In regard to the issue of orders by the management on such applications, the Committee consider that seven days should be allowed instead of three.

Order No. 13 (3).—Under this Order, if a workman proceeding on leave desires an extension thereof he shall make an application for the purpose to the Manager either in writing or orally or through any other person. The Committee are opposed to any such applications being made through any other person. They consider that all applications must be in writing or made in person.

Order No. 14 (3).—This Order refers to the granting of casual leave and states that, except for emergent cases, casual leave shall be limited to three days at one time. To this the Committee would like to add the following phrase—" and up to ten days in the year."

Order No. 14 (5).—This Order requires a workman to obtain the previous permission of the Manager or the Head of the Department before taking casual leave. When, however, this is not possible, it stipulates, that the Manager or the Head of the Department must be informed as soon as may be practicable in writing or orally or through any other person of the absence from work and of the probable duration of such absence. As in the case of Order No. 13, the Committee consider that such applications must be in writing or be made in person.

Order No. 17 (1).—This Order provides for the search of workmen when leaving the premises of the establishment at the point of exit by the gateman. From their experience the Committee consider that the right of search should be exercised not only when a workman leaves the premises of the establishment but also when he leaves his department. They, therefore, recommend that this Order should read :—

" Any workmen may, when leaving the premises of the establishment or department, be searched at the point of exit by the gateman."

Order No. 20.—The Committee consider that here the period of being played off should be extended from 6 to 13 days in the aggregate in any month.

Order No. 23 (*f*).—The Committee recommend that the words "in a year" should be deleted from this Order.

Order No. 24 (4).—This provides for a workman, against whom an enquiry is to be held, to be given a charge-sheet setting forth the circumstances appearing against him and gives him an opportunity to answer the charge and permits him to be defended by a workman working in the same department as himself. In the opinion of the Committee, such provision is likely to lead to malpractices and they, therefore, suggest that the words " and permitted to be defended by a workman working in the same department as himself " should be deleted.

Order No. 25.—This provides for a workman being warned or censured or subject to and in accordance with the provisions of the Payment of Wages Act, to be fined for certain acts and omissions. The Committee consider it is desirable to include after the word " fined " the words " or suspended up to two days." They make this suggestion as there are some establishments who do not fine their workers, and the suspension clause should, therefore, be included.

Standing Orders—For Clerks.—It was observed that the majority of the Standing Orders for Clerks were more or less the same as those framed for workmen, and some of the comments, which the Committee submitted in regard to the latter, would

be applicable, therefore, to the former. There was one real difficulty in regard to the Standing Orders for Clerks and this related to those establishments, which employed clerks on daily rates as well as those who were monthly-paid. Government would realise, therefore, that industrial establishments, employing the former type of clerks, would require to make provision for them in these Standing Orders. Bearing this in mind, the Committee had the following comments to make :—

M.S.O. No. 2-(*a*).—This defines a clerk as being a workman employed to do clerical labour. This definition would not include supervisory and technical staff, who the Committee consider, should be included under these Standing Orders. They, therefore, recommend that the definition should be redrafted to mean " a workman employed to do clerical work and includes supervisory and technical staff."

M.S.O. No. 3-(*ii*)-(*a*)—*Permanent Clerk.*—It is considered that the probationary period of three months is too short and this should be increased to six months. After the words " appointment has been confirmed in writing by the Manager," the following words should be added " or any other officer designated for the purpose."

M.S.O. No. 3-(*ii*)-(*b*)—*Probationer.*—Here too the period of three months is considered to be insufficient and it is recommended that it be increased to six months.

M.S.O. No. 4.—This order stipulates that every clerk, at the time of his appointment, confirmation, promotion or reclassification, shall be given a written order specifying his appointment, etc. The Committee would like to suggest that, after the word " promotion," which appears twice in this order, the words " to a higher category " should be added.

M.S.O. No. 5.—*Display of Notices.*—It is recommended that part (*a*) of this order should be redrafted to read as follows :—

" Notices, showing the periods and hours of work for every class and group of clerks in the establishment and for each shift, shall be displayed on notice boards maintained for the purpose at the timekeeper's office or near the main office."

M.S.O. No. 7.—*Register Specifying Starting Salaries, etc.*—The Committee presume that the inspection of the register referred to in this order is applicable only to those clerks employed in the establishment. Furthermore, in the interests of the establishment, it is considered advisable that the Register should be open for inspection during recess hours only, for two working days in the month ; otherwise a great deal of inconvenience might result. Again it is considered that a statement, rather than a register, will be sufficient. The Committee accordingly suggest that this order might be redrafted to read as follows :—

" A statement, specifying the basic starting salary, grades and scales of pay, if any, for each class of clerks, shall be maintained and be open to inspection by clerks employed in the establishment during recess hours, for two working days in the month."

M.S.O. No. 8-(*i*)-(*c*)—*Shifts.*—This requires the employer to give one month's notice if, as a result of the discontinuance of the shift, any permanent clerk is likely to be discharged. In the case of daily-rated clerks, only two weeks' notice is necessary. This provision should, therefore, be included in the Standing Order.

M.S.O. No. 8-(*i*)-(*d*)—*Discharge of Permanent Clerks as a Result of Discontinuance of the Shift.*—In the event of this contigency arising, the employer is required to discharge permanent clerks, having regard to the length of their service, those of shortest term of service being discharged first. The Committee would like to reiterate the views expressed under Order No. 10-(ii)-(*d*) of their letter of 5th August, viz., that, in addition to length of service, an employer would naturally wish to take into account a clerk's efficiency and his attendance. They, therefore, recommend that the Order should be amended to include these considerations as well as length of service.

M.S.O. No. 8-(*i*)-(*e*)—*Re-starting of a Shift.*—Here again the Committee would point out that length of service should not be the only criterion for the re-engagement of clerks on re-starting a shift. They consider that attendance and efficiency are important factors and should be included in this Order.

M.S.O. No. 8-(*ii*)—*Notice before Closing down any Department.*—It is suggested that the period of notice, in regard to daily-rated clerks, should be fourteen days and the Committee recommend that provision for this should be made in the Standing Order. It is noted in this Order that, before reopening a department or section, seven days' notice shall be given. Government's attention is invited to the Committee's comments under Order No. 10-(v) of their letter of 5th August, wherein it was pointed out that it is conceivable that 50 per cent., or even more, of the clerks might report for work within two or three days of the notice appearing, in which case it would be to the advantage of the establishment and the clerks if they could start work at once. The Committee, therefore, recommend that the sentence beginning "before reopening" and ending with the words "shall be given," should be redrafted to read as follows :—

> "In re-opening such department or section, as the case may be, seven days' notice shall be given, and clerks approved by the management for re-engagement shall be permitted to re-start work immediately they report themselves, which must not be later than seven days."

M.S.O. No. 8-(*iii*)—*Closing down of the whole establishment and re-starting.*—Here again the Committee consider that clerks, reporting themselves for duty, should be allowed to start work immediately rather than wait for the expiry of seven days' notice called for under the Order.

M.S.O. No. 8-(*v*)—*Re-opening of Department or Section.*—After the words "length of service," appearing in line 3 of the Order, the words "efficiency and attendance" should be added.

M.S.O. No. 9-(*i*)—*Time fixed for Commencement of Work.*—The margin of fifteen minutes is thought to be too wide and the Committee suggest, as they have done in the case of workmen under Order No. 11-(i) of their letter of 5th August, that the Order should be redrafted to read :—

> "All clerks shall be at work at the establishment at the times fixed and notified. Clerks attending late will be liable to deductions by the power in the Payment of Wages Act."

M.S.O. No. 10—*Weekly and Compensatory Holidays.*—It is recommended that this Order be redrafted to read :—

> "No deductions shall be made from the wages of any clerk on account of weekly and compensatory holidays where admissible."

M.S.O. No. 16-(*iii*)—*Casual Leave.*—After the words "three days at one time," the Committee suggest that the words "and up to ten days in the year" should be added.

M.S.O. No. 16-(*v*)—*Permission for Taking Leave.*—This order requires a clerk to obtain the previous permission of the Manager, or the Head of the Department, before taking casual leave. It goes on to state that, when this is not possible, the Manager, or the Head of the Department, must be informed as soon as practicable, in writing or orally through any other person, of the absence from work and of the probable duration of the absence. As in the case of Orders Nos. 13-(iii) and 14-(v), in the Model Standing Orders for Workmen, the Committee are strongly opposed to any applications for leave being made through any other person. They consider that all applications must be in writing or made in person.

M.S.O. No. 20—*Closure of the Establishment and Restarting Works.*—The Committee consider that this clause might be deleted, as the points referred to therein are already covered under M.S.O. Nos. 8-(ii), (iii), (iv) and (v).

M.S.O. No. 21-(*i*)—*Termination of Services of Permanent Clerks.*—Provision must be made here for daily-rated clerks, where the period of notice should be fourteen days, or thirteen days' wages (including allowances) in lieu thereof.

M.S.O. No. 21-(*vi*)—*Payment to Clerks on Termination of Services.*—This Order requires an employer to pay a clerk, whose services may have been terminated, wages earned by him and all other dues, before the expiry of the second working day from the day on which his employment is terminated. It is not clear what is meant by the words " and all other dues." If this is meant to include provident fund, the Committee wish to point out that it is not always practicable to settle a clerk's provident fund and/or gratuity within the period specified.

M.S.O. No. 21-(*vii*)—*Orders Relating to Discharge or Termination.*—After the word " Manager," appearing in line 2 of the Order, the Committee suggest the words " or other Officer designated for the purpose " should be added. In the last line of that Order, for the word " may," the Committee recommend that the word " need " be substituted.

M.S.O. No. 22—*Acts of Omission on the Part of the Clerk.*—After item No. (*t*), the following should be added :—

(*u*) " smoking within a prohibited area."

M.S.O. No. 23-(*i*)-(*c*).—After the word " Manager," the Committee recommend that the words " or an Officer designated for that purpose " should be added.

M.S.O. No. 23-(*iv*)—*Clerk Against whom an Enquiry is to be Held.*—This permits a clerk, answering a charge-sheet, to be defended by a clerk working in the same department as himself. The Committee reiterate the views expressed under Order No. 24-(iv) of their letter of 5th August, wherein they stated that such a provision was likely to lead to malpractices, and they, therefore, suggest that the words " and permitted to be defended by a clerk working in the same department as himself" be omitted.

M.S.O. No. 25-(*ii*)-(1)—*Clerk Desirous of Redress of a Grievance.*—This provides for the Manager or any such officer to personally investigate a complaint and permits the clerk, seeking redress of a grievance and a clerk of his choice, to have the right to be present at such investigation. The Committee consider that there is no necessity whatever for a clerk of his choice to be present at such investigation, and recommend that this sub-order be deleted.

M.S.O. No. 26—*Appeals Against Decision of the Manager.*—After the word " Manager," appearing in the first line of this clause, the words " or occupier " shall be added.

INDUSTRIAL EMPLOYMENT (STANDING ORDERS) ACT, 1946 (XX OF 1946).

The following notification, published in the *Gazette of India* of 15th January 1949, is reproduced for purposes of record :—

" In exercise of the powers conferred by section 14 of the Industrial Employment (Standing Orders) Act, 1946 (XX of 1946), the Central Government is pleased to exempt the industrial establishments in the major Ports of Bombay, Calcutta and Madras from the provisions of the said Act subject to the following conditions, namely :—

(1) the port authorities shall arrange to bring together all the rules relating to the matters set out in the schedule to the said Act in a pamphlet form and publish them in English and in the language or languages understood by the majority of the workmen,

(2) a copy of the pamphlet shall be supplied to each workman."

WORKS COMMITTEES.

During September 1948 several members received a notice from the Secretary to the Government of Bombay, Labour Department, calling upon them to constitute Works Committees in their establishments in the manner prescribed in the Industrial Disputes (Bombay) Rules, 1947.

A doubt arose in the minds of some members as to whether they came within the jurisdiction of the Industrial Disputes Act, 1947, as they were not industrial undertakings and were engaged solely in commerce.

In order to assist members, circulars Nos. 245/3266 and 245/3303 of the 17th and 21st November respectively, were sent out giving particulars of the relevant sections of the Industrial Disputes Act. These sections of the Act, together with the rules are reproduced for purposes of record :—

(1) Under this Act " industry " means any *business, trade, undertaking,* manufacture or calling of employers and includes any calling, service, employment, handicraft or industrial occupation or avocation of workmen.

(2) " Workman " means any person employed (including an apprentice) in any industry to do any skilled or unskilled manual *or clerical work* for hire or reward and includes, for the purpose of any proceedings under this Act in relation to an industrial dispute, a workman discharged during that dispute but does not include any person employed in the naval, military or air service of Crown.

(3) Section 3(i) of the Act empowers the Provincial Government, in the case of any industrial establishment in which 100 or more workmen are employed or have been employed on any day in the preceding 12 months, to call upon the employer to constitute a Works Committee consisting of representatives of employers and workmen engaged in the establishment so, however, that the number of representatives of workmen on the Committee shall not be less than the number of representatives of the employer. Representatives of the workmen are to be chosen in accordance with the rules pertaining to the formation of Works Committees (reproduced below) in consultation with their trade union, if any, registered under the Indian Trade Unions Act.

Section 3(ii) of the Act states that the duty of the Works Committees will be to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their common interest or concern and to endeavour to compose any material difference of opinion in respect of such matters.

(4) Under the powers conferred on them by section 3(i) of the Act, the Government of Bombay have, in respect of the constitution and functions of and the filling of vacancies in Works Committees, and the procedure to be followed by such committees in the discharge of their duties, adopted the same rules as appear in Part V of the Industrial Disputes (Central) Rules. These rules read as follows :—

PART V.

Works Committees.

32. *Constitution.*—Any employer to whom an order made under sub-section (1) of section 3 relates shall forthwith proceed to constitute a Works Committee in the manner prescribed in this part.

33. *Number of members.*—The number of members constituting the Committee shall be fixed so as to afford representation to the various categories, groups and classes of workmen engaged in and to the sections, shops or departments of the establishment :

Provided that the total number of members shall not exceed twenty ; and

provided further that the number of representatives of the workmen shall not be less than the number of representatives of the employer.

34. *Representatives of employer.*—Subject to the provisions of these rules, the representatives of the employer shall be nominated by the employer and shall as far as possible be officials in direct touch with or associated with the working of the establishment.

35. *Consultation with trade unions.*—Where any workmen of an establishment are members of a registered trade union, the employer shall ask the union to inform him in writing :

(*a*) how many of the workmen are members of the union ; and

(*b*) how their membership is distributed among the sections, shops or departments of the establishment.

36. *Groups of workmen's representatives.*—On receipt of the information called for under rule 35, the employer shall provide for the election of workmen's representatives on the Committee in two groups :

(1) those to be elected by the workmen of the establishment who are members of the union or unions ; and

(2) those to be elected by the workmen of the establishment who are not members of the union or unions,

bearing the same proportion to each other as the union members in the establishment bear to the non-members :

Provided that where more than half the workmen are members of a union, no such division shall be made.

37. *Electoral constituencies.*—Where under rule 36 the workmen's representatives are to be elected in two groups, the workmen entitled to vote shall be divided into two electoral constituencies, the one consisting of those who are members of a union and the other of those who are not :

Provided that the employer may, if he thinks fit, sub-divide the two electoral constituencies and direct that workmen shall vote in either by groups, sections, shops or departments.

38. *Qualifications of candidates for election.*—Any workmen of not less than 19 years of age and with a service of not less than one year in the establishment may, if nominated as provided in these rules, be a candidate for election as a representative of the workmen on the Committee :

Provided that the service qualification shall not apply to the first election in an establishment which has been in existence for less than a year.

39. *Qualifications for voters.*—All workmen, other than casual employees, who are not less than 18 years of age and who have put in not less than 6 months' service in the establishment shall be entitled to vote in the election of the representatives of workmen.

40. *Procedure for election.*—(1) The employer shall fix a date as the closing date for receiving nominations from candidates for election as workmen's representatives on the Committee.

(2) For holding the election, the employer shall also fix a date which shall not be earlier than three days and later than ten days after the closing date for receiving nominations.

(3) The dates so fixed shall be notified at least seven days in advance to the workmen and the union or unions concerned, such notice shall be affixed on the notice board or given adequate publicity amongst the workmen. The notice shall specify the number of seats to be elected by the groups, sections, shops or departments and the number to be elected by the members of the union or unions and by the non-members.

(4) A copy of such notice shall be sent to the union or unions concerned.

41. *Nomination of candidates for election.*—(1) Every nomination shall be made on a nomination paper in Form ' H,' copies of which shall be supplied by the employer to the workmen requiring them.

(2) Each nomination paper must be signed by the candidate to whom it relates and attested by at least two other voters belonging to the electoral constituency and shall be delivered to the employer.

42. *Scrutiny of nomination papers.*—(1) On the day following the last day fixed for filing the nomination papers, the nomination papers shall be scrutinised by the employer in the presence of the candidates and the attesting persons and those which are not valid shall be rejected.

(2) For the purpose of sub-rule (1), a nomination paper shall be held to be not valid if (*a*) the candidate nominated is ineligible for membership under rule 38 or (*b*) the requirements of rule 41 have not been complied with.

43. *Voting in election.*—(1) If the number of candidates who have been validly nominated is equal to the number of seats, the candidates shall be forthwith declared duly elected.

(2) If in any constituency the number of candidates is more than the number of seats allotted to it, voting shall take place on the day fixed for election.

(3) The election shall be held in such manner as may be convenient for each electoral constituency.

(4) The voting shall be conducted by the employer, and, if any of the workmen concerned belong to a union, by such of them as the union may nominate.

44. *Arrangements for election.*—The employer shall be responsible for all arrangements in connection with the election.

45. *Officers of the Committee.*—(1) The Committee shall elect office-bearers including one Chairman, one Vice-Chairman and two Joint Secretaries.

(2) The Chairman shall be nominated by the employer from amongst the employer's representatives on the Committee.

(3) The Vice-Chairman shall be elected by the Committee from amongst the workmen's representatives on the Committee.

(4) The two Joint Secretaries shall be elected by the Committee from among the representatives of the employer and of the workmen respectively.

46. *Term of Office.*—(1) The term of office of a workmen's representative on the Committee other than a member chosen to fill a casual vacancy shall be two years.

(2) A member chosen to fill a casual vacancy shall hold office for the unexpired term of his predecessor.

47. *Vacancies.*—In the event of a workmen's representative ceasing to be employed in the establishment or in the event of his resigning the membership in the Committee, his successor shall be elected from the constituency to which the member vacating the seat belonged.

48. *Power to co-opt.*—The Committee shall have the right to co-opt in a consultative capacity persons employed in the establishment having a particular or special knowledge of a matter under discussion. Such co-opted members shall not be entitled to vote and shall be present at meetings only for the period during which the particular question is before the Committee.

49. *Number of meetings.*—The Committee may meet as often as necessary but not less often than once a month.

50. *Facilities for meetings, etc.*—The employer shall provide accommodation for holding meetings of the Committee. He shall also provide all necessary facilities to the Committee and to the members thereof for carrying out the work of the Committee.

Rule 41, pertaining to the nomination of the candidates for election to the Works Committees, requires that every nomination shall be made on a nomination paper in Form 'H', as under :

FORM 'H'.

(See Rule 41.)

Form of Nomination Paper.

Name of Industrial Establishment.	Group/Section/Shop/Department.

I nominate.....(here enter the name of the workmen's representative eligible for election) as a candidate for election to the Works Committee.

Signature of Proposer.....

Date.....

I agree to the proposed nomination.

Signature of candidate .....

Date.....

Attested by (1)

(2)

} To be signed by any two voters belonging to the electoral constituency.

FACTORIES (CANTEEN RULES) 1948.

In the *Bombay Government Gazette*, Part IV-A of 22nd July, there were published draft Rules which provided for the building and maintenance of canteens for industrial workers. The Committee of the Chamber agreed in principle to the setting up of canteens and, in fact, several industrial establishments within the membership of the Chamber were already operating canteens for the benefit of their workers. They, however, made the following observations on the draft Rules :

Rule 4 provided for a canteen being made available within a period of six months from the date of the coming into force of the rules. It was presumed that Government were fully aware of the difficulties that obtained in procuring building materials for the erection of canteens, and as rule 14 (i) provided that the floor area of the dining hall should not be less than 10 square feet per diner, it would be necessary for most concerns to construct canteens to conform to these specifications, as available space did not exist in their establishments. Bearing these remarks in mind, the Committee presumed that the period of six months, stipulated in rule 4, would be suitably extended, or else, that the introduction of the rules would be postponed until such time as building materials became available for construction purposes.

Rule 7 provided that every canteen building should be constructed in accordance with plans approved by the Chief Inspector and should accommodate a dining hall, kitchen, store-room and pantry, and separate washing places for workers and for utensils. It was considered, both for hygienic purposes and for reasons of safety, that the kitchen should be kept separate from the canteen building and it was recommended that the rule should be re-drafted to read as follows :

" Every canteen building shall be constructed in accordance with the plans approved by the Chief Inspector and shall accommodate a dining hall, a store-room and pantry and separate washing places for workers and for utensils. A kitchen shall be provided, which may be within the canteen building or kept separately."

Rule 13.—This stipulated that a dining hall should have accommodation on the scale laid down in rule 14 (i.e., not less than 10 square feet per diner) for not less than 30 per cent. of the workers working at any one time in the factory to which it belonged. The percentage laid down in the rule appeared to be excessive, as, according to the experience of those establishments which already operated canteens, the percentage of workers that had meals in the canteen was not more than 10 to 15 per cent. It was, therefore, recommended that the minimum should be reduced to 15 per cent. and that the rule should provide, if necessary, for this figure to be increased.

Rule 14 (*ii*).—It was suggested that, after the words " women workers," the words " if employed " should be inserted.

Rule 16 required an occupier to provide and maintain in good condition an adequate quantity of utensils, etc. . . . It was presumed that the intention of this clause was that the occupier should provide all the utensils, etc., necessary in the initial stage for the opening of the canteen and that the maintenance of it would be in the hands of the Advisory Committees who would fix the charges of the meals so as to cover the cost of replacement of cutlery and crockery, etc. This being so, it was suggested the words " and maintain " appearing in this rule, should be deleted.

Rule 18 (*i*).—It was recommended that this draft rule should be amended to read as follows :

" The prices charged for articles served in a canteen shall be fixed after making the allowance for breakage, depreciation, wages and other running expenses."

It was recommended that sub-rules (ii) and (iii) of this rule should be deleted, as the Committee were opposed to the principle of the employer having to bear the cost of maintaining a canteen, which had been installed for the express benefit of the workers. They considered that, after the occupier had fitted up the canteen, it was up to the Canteen Advisory Committee to see that the canteen was made to pay for itself.

Rule 21.—It was recommended that the period, within which the balance-sheet prepared by the auditors was to be submitted to the Chief Inspector, should be extended from two to four months, after the closing date of the accounts audited.

Rule 22 (*iv*).—It was recommended that the words " as may be directed by the Chief Inspector of Factories " should be deleted and replaced by the words " relating to the canteen."

Rule 23.—With the constitution of Works Committees in industrial establishments, it was felt that the running and maintenance of canteens should be entrusted to a small Advisory Committee to be nominated or elected by the Works Committee. It was recommended that provision for this should be made in the rule. Where, however, Works Committees did not exist, the Canteen Advisory Committee should be elected in accordance with the terms of this rule.

Rule 26.—The functions of the Canteen Advisory Committee had been laid down in rule 22 and the Committee considers that this Committee should be responsible, not only for the maintenance and running of the canteen, but also for the availability of foodstuffs and the kinds of food to be served in the canteen. This being so, they considered that rule 26 should be deleted, and in any case, did not see the necessity of authorising the Chief Inspector of Factories to direct the Manager to make available for the canteen any item of foodstuff, if he was satisfied that such item was in general demand or was likely to be in general demand in the canteen. The Canteen Advisory Committee would be in the best position to judge the kind of food to be served in the canteen, as they would be in daily touch with the workers who took their meals from the canteen and would be in a far better position to meet the workers' needs than the Chief Inspector of Factories.

BILL TO PROVIDE FOR THE ESTABLISHMENT AND GRANT OF PROVIDENT FUND TO CERTAIN CLASSES OF WORKERS BY THEIR EMPLOYERS.

This Bill was introduced in the Constituent Assembly of India by the Honourable Mr. R. K. Sidhwa on 11th February 1948.

The Bill, *inter alia*, sought to lay down the rates of subscriptions to the provident fund, the manner of investment and disposals of fund, etc.

The Committee agreed generally with the idea of provident fund for workers but the Bill as introduced by Mr. Sidhwa had several features to which the Committee took strong objection, and their comments on these clauses were as follows :

Clause 2.—*Definition of* "*wages.*"—According to the Bill wages included any privilege or benefit which was capable of being estimated in money

other than a travelling allowance or the value of any travelling concession or contribution paid by the employer towards his provident fund.

The Committee took strong objection to this definition of wages and pointed out that deductions for purposes of provident fund were linked up with basic wages only and did not include items such as dearness allowance or bonus.

Clauses 3 and 4.—Formation of provident fund.—The Committee agreed that a provident fund should be open to all workers in receipt of a prescribed minimum basic wage per month but they did not consider that membership of the fund should be made compulsory.

Clause 6.—Employer's contribution.—The Committee took the strongest objection to this clause which provided that the employer's contribution to the fund should be double the sum paid by the worker in a month. In their opinion there was no precedent nor any justification whatsoever for making the employer's contribution double that of the worker.

Clause 8.—Length of service for eligibility to the employer's contribution.—The Committee had no objection to the worker becoming entitled to receive the employer's contribution with interest after ten years' service but they strongly objected to the proviso to that clause which laid down that when a subscriber leaves service or resigns or was discharged or dismissed he should be entitled to receive his and his employer's contribution forthwith. In the opinion of the Committee no worker who was discharged or dismissed for misconduct and possibly for gross negligence, should be entitled to claim other than his own contribution with the interest accrued thereon.

Clause 12.—Power to make rules.—Sections (c) and (d) to sub-section 2 of this clause empowered the employer to make rules pertaining to advances which might be granted out of the fund to the subscriber, and to prescribe the maximum amounts that could be granted, the interest to be charged on such advance and the mode of recovery of such advances. The Committee considered that these rules should be framed so as to conform to the Indian Income Tax (Provident Fund Relief) Rules.

Clause E, F and G, to sub-section 2 of clause 12.—The Committee considered that these clauses would interfere with the rights of the worker, at least in so far as the worker's own contribution was concerned, and should be omitted.

In conclusion, the Committee stated that the Bill as introduced was badly drafted and that if such legislation was considered necessary, it should be sponsored by Government and not a private member. Furthermore, the Committee considered that all existing pension, provident fund or gratuity schemes, provided they had been recognised by the appropriate Commissioner of Income Tax, should be exempt from legislation such as was contemplated by the Bill.

No further progress has been made with the Bill.

INDUSTRIAL STATISTICS ACT.

CENSUS OF MANUFACTURING INDUSTRIES RULES.

(*See Report* 1946, *page* 70.)

The Government of Bombay published in the *Gazette* of 19th March draft amendments to the Census of Manufacturing Industries Rules. The object of the amending rules was to define

the liability of the different parties in making returns when a change in ownership occurred.

The Committee saw nothing objectionable in the rules and had no comments to offer. The draft rules have not so far been finalised.

CENTRAL ADVISORY COUNCIL FOR LABOUR.

The following Resolution No. LR. 86 (9) of 29th September, published in the *Gazette of India Extraordinary* of the same date, pertaining to the constitution of a Central Advisory Council for labour, is reproduced for purposes of record :—

" In their Resolution dated the 6th April 1948 on Industrial Policy, the Government of India stated that one of their main objectives, viz., the securing of the maximum increase in production, could not be achieved without ensuring the fullest co-operation between labour and management and the maintenance of stable and friendly relations between them. With this end in view, Government approved of a resolution passed by the Industries Conference in December last on the relations between labour and management which reads as follows :—

" . . . The system of remuneration to capital as well as labour must be so devised that, while in the interests of the consumers and the primary producers, excessive profits should be prevented by suitable methods of taxation and otherwise, both will share the product of their common effort, after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking."

After stating that labour's share of the profits should be on a sliding scale, normally varying with production, Government announced their intention to establish machinery for advising them on fair wages, fair remuneration for capital and conditions of labour.

2. In pursuance of this decision, the Government of India have now decided to appoint a Central Advisory Council consisting of the following members :—

The Honourable Shri Jagjivan Ram, Minister for Labour (*Chairman*).

Government Representatives.

Central Government.

Ministry of Labour	Mr. S. Lall, C.I.E., I.C.S., Secretary, Ministry of Labour.
Ministry of Industry and Supply ..	Mr. S. A. Venkataraman, C.I.E., I.C.S., Secretary, Ministry of Industry and Supply.
Ministry of Finance	Mr. A. K. Roy, Joint Secretary (I. and C. Division).

Provincial Governments.

Madras	Mr. K. G. Menon, M.B.E., I.C.S., Joint Secretary, Development Department.
Bombay	The Honourable Mr. Gulzarilal Nanda, Minister for Labour.

West Bengal	The Honourable Mr. K. P. Mookerji, Labour Minister.
United Provinces	Mr. T. Swaminathan, I.C.S., Secretary, Labour Department.
Bihar	Mr. S. R. Bose, Deputy Labour Commissioner, Bihar Government.
East Punjab	Mr. Som Nath Kapur, I.S.E., Director of Industries.
Central Provinces and Berar ..	Mr. P. K. Sen, Labour Commissioner.
Assam	Mr. D. C. Das, I.C.S., Secretary, Labour Department.
Orissa	Mr. Narasim Iyengar, Director of Industries.
Chief Commissioner, Delhi	Dr. B. R. Seth, Director of Industries and Labour.

States Delegates.

1. Mr. Ghanshyam C. Oza, Deputy Secretary, Labour Department, United State of Saurashtra.
2. Mr. Jyotish Chandra Gupta, Mining Adviser, United State of Vindya Pradesh.
3. The Honourable Mr. V. V. Dravid, Minister for Industries, Commerce and Labour, Madya Bharat Government.
4. The Honourable Mr. Mohanlal Sukhadia, Minister for Labour, United State of Rajasthan, Udaipur.
5. Mr. S. K. L. Bhudiraja, Commerce and Industry Secretary, Government of Patiala and East Punjab States Union.

Observers.

1. Mr. R. N. Deo, Jaipur.
2. Mr. C. V. Bhat, Director of Industries and Commerce, Baroda.
3. Mr. V. K. Velayudhan, Labour Commissioner, Travancore.
4. Khawaja Ahsanulla, Government Trade Commissioner, Kashmir State, Delhi.
5. One observer to be nominated by the Mysore State.

Employers' Representatives.

All India Organisation of Industrial Employers	1. Seth Shanti Prasad Jain, Calcutta. 2. Sir Shri Ram, New Delhi. 3. Sir Padampat Singhania, Cawnpore. 4. Shri K. D. Jalan, Calcutta.
Employers' Federation of India ..	1. Sir Homi Mody, K.B.E., Bombay. 2. Mr. Dharamsey Mulraj Khatau, Bombay. 3. Mr. A. J. Elkins, C.B.E., Calcutta. 4. Mr. C. S. Ratnasabapati Mudaliar, Coimbatore.
Independent Employers' Representatives	1. Sir Biren Mookherjee, Calcutta. 2. Shree Chakreshwar Kumar Jain, Arrah.

Workers' Representatives.

Indian National Trade Union Congress.	1. Shri Khandubhai K. Desai, Ahmedabad. 2. Dr. Suresh Chandra Bannerjee, Calcutta. 3. Shri G. Ramanujam, Madura. 4. Shri M. John, Jamshedpur.
Indian Federation of Labour ..	1. Miss Maniben Kara, Bombay. 2. Mr. A. M. Williams, E. I. Railway Staff Colony, Howrah.
Hind Mazdoor Panchayat	1. Mr. B. D. Joshi, Delhi. 2. Mr. S. K. Saksena, c/o Hind Mazdoor Panchayat, Delhi Provincial Committee, Delhi.
Independent Workers' Representatives	1. Sjt. Anand Mohan Sahay, President, E. I. Railway Employees' Association, Patna. 2. Sjt. B. Anjanappa, Madakasira, Dist. Anantapur.

3. The main functions of the Council will be to advise Government on the measures to be taken to achieve their objectives as set forth in paragraph 9 of the Resolution on Industrial Policy and, in particular, to evolve schemes—

(1) for the determination of—

(*a*) fair wages to labour,

(*b*) for the purpose of a profit-sharing scheme—

(i) fair return on capital employed in the industry ;

(ii) reasonable reserves for the maintenance and expansion of the undertaking ;

(iii) labour's share of the surplus profits, calculated on a sliding scale, normally varying with production after provision has been made for (i) and (ii) above, and

(*c*) the method by which labour could co-operate with employers in securing increase of production, and

(2) for the regulation of the relations between employers and labour.

4. In regard to (1)(*b*) above, the Council shall take, as a basis for discussion, the report of the Committee on Profit Sharing appointed by the Ministry of Industry and Supply in their Resolution No. 1 (3)-43 (36) 148, dated the 25th May 1948.

5. In order to advise Government on other problems relating to the regulation, expansion, development and planning of industry with a view to securing the expansion of production and greater industrialisation of the country, as envisaged in paragraph 7 of the Government Resolution on Industrial Policy of the 6th April 1948, a separate Central Advisory Council of Industries, which includes representatives of labour, has been established by Government.

6. The Central Advisory Council may resolve itself into several Committees, one for each major industry, and these Committees may, in turn, be split up into Sub-Committees dealing with specific questions relating to the industry, e.g., production, industrial relations, wage fixation and distribution of profits. For this purpose, the Council may, when necessary, appoint officials and non-officials, other than its own members, to the various Committees and Sub-Committees.

INDUSTRIAL TRIBUNALS.

Reinstatement of Dismissed Workers.

Members were advised by this office circulars Nos. 245/2461 and 245/3582 dated 13th July and 13th October 1948, respectively, of two important judgments pertaining to the right of a Tribunal to consider questions affecting the reinstatement of workers.

The question arose out of a dispute between the Western India Automobile Association and its employees. In the first instance the W.I.A.A. filed a petition in the High Court for relief by way of a writ of prohibition against the Tribunal restraining it from entering upon any enquiry or giving any direction on the question of reinstatement.

The case was heard by Mr. Justice Coyajee who agreed with the decision of Lord Goddard in the case of *R. V. National Arbitration Tribunal ex parte Horatio Crowther* (reported in All England Law Reports, 1947) and issued a writ of prohibition.

From this Order an appeal was preferred by the Province of Bombay and was heard by the Hon'ble Mr. M. C. Chagla, Chief Justice, with Mr. Justice Bhagvati. The Chief Justice held that under the Indian Statute the Tribunal had power to adjudicate upon matters in dispute between the employer and the worker, and it was therefore open to the Tribunal to award reinstatement of a dismissed worker, and if such an award was made, that award would be valid and binding and enforceable by means of the penal provisions in the Act. Mr. Justice Bhagvati concurred with the judgment of the Chief Justice.

PAYMENT OF OVERTIME.

In July, 1948 Mr. M. C. Shah of the Industrial Tribunal, Bombay, made an award in a dispute between the Ahmedabad Electricity Co., Ltd., and its workers on the question of calculating overtime. The Union, on behalf of the workers, contended that overtime should be calculated on wages plus dearness allowance. In dealing with the dispute, Mr. Shah pointed out that at the time of the dispute overtime payment was made on the basis of twice the wages and that, according to section 47-(i) of the Factories Act, 1934, payment for overtime was to be made at the rate of " twice the ordinary rate of pay." The expression " rate of pay " had not been defined in the Factories Act, nor was the term " wages " defined in that Act. Mr. Shah went on to state that the expression " rate of pay " was also not defined in either the Industrial Disputes Act, 1947, nor in the Bombay Industrial Relations Act. Wages, however, had been defined in the latter Act as meaning remuneration of all kinds

capable of being expressed in terms of money and payable to an employee in respect of his employment or work done in such employment and it included any bonus, allowances (including dearness allowance), reward or additional remuneration, etc. If an inference were to be drawn from the foregoing, it would mean that dearness allowance, which had not hitherto been included as part of wages, should now form part of that term. Mr. Shah stated, however, that the expression used in section 47 of the Factories Act was " rate of pay " which was not the same as wages, and in his opinion, would not include dearness allowance. He added that dearness allowance was distinct from pay, and where it was fixed on a sliding scale it fluctuated according to the index figure of the cost of living.

In concluding his Award, Mr. Shah said that although in the definition of wages as given in the Bombay Industrial Relations Act, dearness allowance is included in that term, it should not necessarily mean that dearness allowance should be included in the rate of pay for calculation of overtime payments. In his opinion, dearness allowance does not form part of pay, though it might form part of wages and, since it was being given to neutralise the rise in the cost of living, it would not be reasonable to allow it also for overtime work done by an employee when he gets an overall dearness allowance for every day of work whether he works overtime or not. He, therefore, considered the demand unreasonable and, as no precedent had been quoted in support of it, it was rejected.

INCOME-TAX.

INCOME-TAX : DEPRECIATION.

AMENDMENT TO RULE 8 OF THE INCOME-TAX RULES, 1922.

In January the Central Board of Revenue published in the *Gazette of India* the following draft amendment to rule 8 of the Indian Income-tax Rules, 1922, and called for criticisms and suggestions on the proposed amendment.

" In Rule 8 of the said Rules :

(1) For the words, figures and brackets 'An allowance under section 10 (2) (vi) of the Act in respect of depreciation of buildings, machinery, plant or furniture shall be made in accordance with the following statement,' the following shall be substituted, namely :—

'The allowance under section 10 (2) (vi) of the Act in respect of depreciation of buildings, machinery, plant or furniture shall be at percentages of the written down value or original cost, as the case may be, equal to one-twelfth the number shown in the corresponding entry in the second column of the following statement.

Provided that if the buildings, machinery, plant or furniture have been used by the assessee in his business for not less than two months during the previous year, the percentage shall be increased proportionately according to the number of complete months of use by the assessee.

Provided further that in the case of a seasonal factory worked by the assessee during all the working seasons of the previous year, the percentage shall be increased as if the buildings, machinery, plant or furniture had been in use throughout the period the assessee was the owner thereof during the previous year.'

2. In the statement :—

(i) in the heading of the second column for the words ' Percentage on the written down value ' the following shall be substituted namely :—

' Number on the basis of which the percentage is to be calculated on the written down value, except where otherwise indicated in the case of ocean-going steamers,'

(ii) under the head ' I Buildings ' in the third column, for the words ' Double these rates will be allowed ' the words ' Double these numbers will be taken ' shall be substituted.

(iii) under the head ' III Machinery and Plant,' in sub-head (3)—

(a) in item (i) of Group G, in the second column, for the words ' The same rates ' the words ' The same numbers ' shall be substituted.

(b) in item (1) of Group I, in the third column, for the words ' These rates are percentages on the original cost ' the words ' The allowance is to be calculated on the original cost ' shall be substituted.

These amendments shall have effect from the 1st day of April 1948 and shall apply to assessments for the year ending on the 31st day of March 1949 and subsequent years."

In replying to the Central Board of Revenue, the Committee noted with regret that Government gave no reason for the draft amendment and they considered that some clarification was necessary. They pointed out that were it not for the words " written down value " appearing in the draft, it might be deduced that Government's intention was to allow depreciation on new buildings, machinery, plant or furniture according to the number of months such buildings, machinery, plant or furniture had been in use during the previous year. This was understandable as it had been the practice in the Income-tax Office in most cases to allow a full twelve months' depreciation where such assets were brought into use in the first half of the assessee's financial year or a full half-year's depreciation where such assets had been brought into use in the second half of the financial year. The Committee apprehended, however, that the inclusion of the words " written down value " would endanger the position of the assessee if it was intended to give an allowance of depreciation only when such assets had been " in use " for complete calendar months. In many cases owing to strikes, riots and civil commotion it might not be possible for a business to operate for even one calendar month in a year and in this connection they pointed out that plant or machinery very often depreciated

more rapidly when not in use than when in use. The Committee, therefore, recommended that the word "complete" should be deleted from the last line of the first proviso to the proposed amendment. In other words, they were of the opinion that depreciation should be given *pro rata* at the existing rates from the dates on which new buildings, machinery, plant or furniture were brought into use. They added that if Government did not accept the fact that depreciation did not take place when buildings, plant and machinery were not in use, it would logically follow that when plant and machinery worked two or three shifts, depreciation should be granted at twice or thrice the normal scale.

Consequent on the amendment to rule 8 of the Income-tax Rules, the Central Board of Revenue issued a circular to all Commissioners of Income-tax setting out the procedure to be followed in the calculation of depreciation under the new rule. It was pointed out that rule 8 had been amended to obviate the possibility of depreciation being given at a rate higher than that which is rightly attributable to the actual period of the user in the previous year. In the case of industries which work only seasonally, it was intended that full depreciation allowance should be given to machinery which had been worked throughout the working seasons of the accounting year.

In applying the rule, as amended, Income-tax Officers were asked to bear in mind the following points :—

1. The change made in rule 8 does not affect the initial depreciation which should be allowed in full for the whole year in all cases.

2. In order to ascertain the *complete* months, the total number of days in the year on which the machinery, etc., was worked should be taken and depreciation should be allowed on the months completed. Thus if a factory worked 28 days in each month the total number of complete months would be 11 and depreciation allowance would be 11/12ths of the depreciation for the full year. The Income-tax Officer should not treat the number of complete months, to be *nil* on the ground that the factory did not work for 30 days in any one month.

3. The periods of labour trouble, such as strikes and lockouts, during which the machinery, etc., had perforce to remain idle should *not* be excluded from the period for which depreciation would be admissible.

4. Where the major part of the machinery was worked for the full year, and only a small part remained idle, depreciation should be allowed at the full rates admissible. In the case of a jute mill, for example, where 900 out of 1,000 looms were worked for the whole year, full depreciation should be allowed.

5. In the case of seasonal factories which work for one season or only a part of a season, depreciation should be calculated as if the season or seasons constituted one complete year. Thus where a seasonal factory having, say, two seasons of two months each, worked for two months only, either for one full season or for one month in each season, the depreciation allowable would be 50 per cent. of that admissible for the full year and not one-sixth admissible on a time-basis.

6. A by-product factory may have to remain closed for one entire season for economic reasons; or a tea factory may have to remain closed owing to "blister blight." In such cases proportionate depreciation only should be allowed.

It should be noted that the rule as amended is applicable to the assessment year 1948-49 and onwards. It is not applicable to earlier assessments in respect of which the depreciation allowable should be calculated as if the present amendment had not been made.

The Committee noted that under instruction 4 of the circular the total number of days during which machinery worked were being taken into account and under paragraph 4 (3) the period of labour trouble such as strikes and lockouts were not to be excluded from the period for which depreciation was admissible.

No provision was, however, made for the non-exclusion as in 4 (3) for the usual holidays during which a factory might not work, and they therefore, suggested that Government treat "usual holidays" as working days on par with paragraph 4 (3) of the circular. If this point was not clarified Government's present instruction might well be interpreted to mean that, if a factory did not work on Sundays and public holidays, a portion of the depreciation allowance would be lost.

This matter was represented to the Central Board of Revenue who subsequently issued a circular (No. 4 of 1948) reading as follows :—

"Reference Board's circular No. 2 of 1948 (C. No. 46 (3)IT/47 dated the 28th May 1948.

"2. The example given in sub-para (2) of para 4 of Board's circular quoted above is merely illustrative of how depreciation is to be computed where a factory does not work on all those days that would normally be *working days*. It is not the intention that Sundays or other *public holidays* on which the factory remains closed, should be excluded in computing the depreciation allowance admissible on the new basis."

INDIAN INCOME-TAX ACT, SECTION 23-A.

(*See Report* 1947, *page* 76.)

In November 1947 the Committee addressed a letter to the Central Board of Revenue in which they requested the Board to issue instructions to Income-tax Offices without delay to make it clear that for the purpose of section 23A (1) capital gains are not to be considered as part of the total assessable income of a company.

In reply to this representation the Board stated that they saw no force in the plea that capital profits should not be taken nto account in determining whether section 23A was applicable

or in the view that even if taken into account they should not be deemed to have been distributed for the purposes of inclusion in the total income of the shareholders and their liability of super-tax. The Board went on to state that there was no prohibition in the Companies Act against distributing dividends out of capital profits, and even if section 23A were not applied, they would in the final distribution or liquidation be treated as " dividend " under section 2 (6A).

As regards the setting off of capital losses, the Board stated that though such losses cannot be set off against ordinary profits, they will be taken into account in determining whether section 23A should be applied to a company or not.

The Committee were disappointed with the summary rejection of their submission merely on the grounds that the Board saw no force in it, and the following is the text of a further letter which the Committee addressed to the Central Board of Revenue on 30th April 1948.

" When the Act was amended in 1947 so as to bring capital gains within charge to the tax the principle was at the same time accepted that so much of the income of the individual or the company as was attributable to a capital gain should bear income tax only but not super-tax. If, in practice, it is found that the capital gain attracts the super-tax and there is consequently a departure from the accepted principle, my Committee feel that their submission on the point merits some better answer than merely to say that there is no force in it.

(2) My Committee desire me to request that the point be again taken under consideration. In doing so I feel that there is nothing I may usefully add to the submission made on 11th November 1947, except to direct your attention to the submission on the same point made by the Bengal Chamber of Commerce on 19th February of this year.

(3) I am further directed by my Committee at this opportunity to make a further submission upon another point which a member of this Chamber has brought to their notice.

(4) Before its amendment by Act No. XXII of 1947, the explanation to section 2 (6A) provided that the words ' accumulated profits ' wherever they occurred shall not include a capital profit. Act No. XXII of 1947 substituted for that amendment a proviso in terms that the expression ' accumulated profits ' shall not include capital gains of any previous year prior to the previous year for the assessment in the year ending on 31st March, 1948. By Act XXIV of 1947, there was substituted for that proviso a proviso in terms that the expression ' accumulated profits ' wherever it occurs shall not include capital gains arising before 1st April, 1946.

(5) Company A was taken into liquidation on 10th May 1946 and the undertaking was thereafter sold to company B in consideration for shares in company B. The par value of shares allotted to company A exceeded the book value of its net assets and there was therefore a capital gain.

(6) Company A is a company to which section 23A does not apply and it is in consequence liable to the additional rates of super-tax imposed by the Finance Act of 1947 in respect of so much of the sum distributed as dividend as exceeds 30 per cent. of the total income.

(7) The distribution made by the liquidator of company A by way of shares in company B is accordingly treated as dividend by reason of clause (c) of sub-section (6A) of section 2 (which provides that dividend includes any distribution made to the shareholders of a company out of accumulated profits of the company on the liquidation of the company) read with the second proviso.

(8) The intention underlying the imposition of additional super-tax upon the declaration of a dividend exceeding 30 per cent. of the total income is to discourage the voluntary declaration of an immoderate dividend. It cannot be intended to operate in a winding-up where it is the duty of the liquidator to distribute the assets including accumulated profits. In this case a double objection lies. Not only is the liquidator charged with super-tax but to the additional super-tax imposed at para D of Part II of the schedule to the Finance Act, 1947.

(9) While it is a fundamental principle of good law-making that any new law should not have retrospective effect and objection may lie against making the tax effective from 1st April 1946, there is here the even more serious objection that the liquidator, having made an agreement on or soon after 10th May 1946, and having sold the undertaking for shares in another company, is obliged to pay not merely capital gains tax but also the additional super-tax in a condition in which he has no funds and the shares are not marketable. The tax demanded can be paid only if the liquidator sells all or part of the shares in the year in which the demand arises. A forced sale must result in a loss which can be set off only against any future capital gain such as cannot accrue to the liquidator when the business of the company has been fully wound-up.

(10) Accumulated profits distributed by a liquidator in a winding-up are chargeable to the additional rates of super-tax by virtue of the amended definition of dividend enacted by section 2 of the amending Act of 1939. There was no reason to suppose at 10th May 1946, that anything was to be gained by taking the company into liquidation. On the contrary, it would have been to the advantage of the members had the liquidation been postponed by six years.

(11) My Committee feel that both sections 23A (1) and 2 (6A) require immediate amendment, such amendments to have effect from 1st April 1947. I shall be pleased if your Board will give this submission their careful and urgent consideration."

No reply has yet been received from the Central Board of Revenue.

INCOME-TAX—CHARITABLE DONATIONS.

EXEMPTION UNDER SECTION 15B OF THE INDIAN INCOME-TAX ACT.

In June 1948 members were advised that section 15B of the Indian Income-tax Act made provision for the exemption from tax, subject to certain prescribed conditions, of donations for charitable purposes, and were asked to submit lists of the organisations to which they made contributions and which they considered should be forwarded to the appropriate authority for

the purpose mentioned above. In submitting the lists members were asked to specify the following conditions :

(1) Full name of the institution or fund.

(2) Address of the head office.

(3) Name and designation of the official in charge of the fund or institution.

(4) The main objectives and activities of the fund and/or institution.

A consolidated list of the names and addresses of the Institutions was forwarded to the Government of India through the Government of Bombay for approval.

By notification No. 57, dated 21st October, the Ministry of Finance (Revenue Division) published a list of institutions and funds which had been approved for the purposes of section 15B of the Indian Income-tax Act. The only institutions which were included in the Chamber's list and which were recognised by Government, apart from the Gandhi National Memorial Fund, are :

(*a*) The J. J. Group of Hospitals, Bombay.

(*b*) The Provincial Council of Blindness, c/o The Sir Cowasji Jehangir Ophthalmic Hospital, Bombay.

(*c*) The Bengal Tuberculosis Association, Calcutta.

(*d*) Dr. Graham's Homes, Kalimpong.

BILL TO AMEND THE TAXATION ON INCOME (INVESTIGATION COMMISSION) ACT, 1947.

In the Excerpts for February 1948 there were recorded the Chamber's views on the preliminary memorandum prepared by the Income-tax Investigation Commission. On 10th February 1948 a Bill to amend the Taxation on Income (Investigation Commission) Act, 1947, was introduced into the Constituent Assembly as the existing provisions of the Act were considered far from adequate to enable the Commission to function effectively. The amendments proposed in the Bill embodied the minimum powers which Government considered the Commission must possess if its labours were to bear fruit. In addition, the Bill defined and clarified the powers of the Commission so that purely technical objections might not be raised with a view to obstruct or defeat the work of the Commission.

While the Committee agreed that the Commission should have the widest possible powers in order to carry out any investigation, they nevertheless suggested that the contents of books, accounts, etc., of partners not parties to the investigation should not be disclosed by the Commission to any person.

The Bill was referred to a Select Committee on 1st March whose report was considered by the Constituent Assembly and passed by that body on 22nd March 1948.

INCOME-TAX INVESTIGATION COMMISSION.

In January 1948 the Chamber received a letter from the office of the Income-tax Investigation Commission, Ministry of Finance (Revenue Division), together with a copy of a preliminary memorandum prepared by the Commission which dealt with suggested changes in sections 34 and 46 of the Indian Income-tax Act. Before making its recommendation to Government the Commission called for the views of the Chamber and other organisations on the points dealt with in paragraphs 8, 9, and 11 to 17 of the memorandum.

The memorandum was carefully considered by the Committee of the Chamber in consultation with the Income-tax Sub-Committee whose views with regard to the memorandum generally were as follows :

The Committee had the impression that this was tackling the problem in the wrong way. There could be no disagreement as to the necessity for all reasonable steps being taken to prevent evasion of income-tax, but the suggestions in the Committee's memorandum appeared to be designed mainly to assist Government in dealing with any errors or omissions on the part of the Income-tax Department, and in their effect would result in quite unnecessary inconvenience to, and possibly harassment of, those who were already being assessed to tax each year. It was considered pertinent to quote the remarks of Sir John Beaumont, Chief Justice of Bombay in 1944, in a case reported at page 13 of I.T.R. 8. He said :

> " Income-tax is a serious item in the expenditure of most people and an assessee is entitled to know what his liability is and it certainly seems unreasonable that, if his liability has been fixed at a certain figure, he should subsequently be told that, *owing to some mistake of the Income-tax Officer* he ought to have been charged at a heavier figure with the result that he may be caused considerable embarrassment."

It was a fairly general experience in this country that the cardinal rule of taxation that the benefit of a doubt must be given to the assessee was not followed ; on the contrary, the Income-tax authorities tended to take the benefit of any doubt themselves, leaving assessees only with the right of appealing through the various stages prescribed. If only for this reason the Committee considered it would be most undesirable to widen the existing powers of Income-tax Officers, even though case law since 1939 had tended to tie their hands in the operation of section 34. In considering this memorandum it was not to be overlooked

that section 35 of the Income-tax Act gave power to the department to rectify any mistake " apparent from the record," and this record included, of course, the return made by the assessee, his supporting accounts, the notes of the examiner on those accounts and on the assessees' books and vouchers if these were called for, the notes of the assessing officer taken at interviews under section 23 (2) and the final order itself.

Dealing with the specific paragraphs of the memorandum on which opinion was invited, the Committee made the following comments.

Paragraph 8.—It was understandable that an Income-tax Officer might be able in certain cases to realise more clearly in a subsequent year's assessment facts which he did not properly realise when examining the accounts for the previous year. The Committee therefore would not object to the re-opening of the previous year's assessment on *facts* coming to the Income-tax Officer's knowledge in the next subsequent year's assessment, provided it was clearly laid down that the assessee shall have the same right.

It should be made quite clear that such reopening of the previous year's assessment must be on the ground of additional facts coming to the knowledge of the Income-tax Officer, and for no other reason.

Paragraphs 9 *and* 10.—The Committee were definitely of the opinion that section 34 should not be used to correct mistakes in law because, if it were, a decision in any case in appeal might be applied retrospectively to other "closed" cases to the benefit of the tax authorities, while the assessee would be denied the same privilege in regard to his " closed " cases.

The assessee was required to give a full and true statement of his income and it should be only in the case of fraudulent returns or deliberate concealment of relevant information that a " closed " case should be reopened.

Paragraph 11.—As would be gathered from what had already been stated, the Committee were strongly opposed to any provision by which a closed assessment might be reopened, either because of a mistake of fact or a mistake of law, but they would have no objection to the Crown being provided with a right of appeal in such cases. As regards power of revision by the Commissioner, it was pointed out that section 33A gave the Commissioner adequate powers.

Paragraph 12.—The Committee agreed to the wording of sub-section (2) of section 34 being changed to make it clear that the reference in that sub-section was to the concealment of information or the furnishing of inaccurate particulars in the course of the original assessment proceeding.

Paragraphs 13 *and* 14.—There was no justification whatever for permitting the reopening of an assessment if, despite full knowledge of the facts, the Income-tax Officer had issued an assessment order on the wrong person, nor was there if proceedings under section 34 failed on technical grounds.

Paragraph 15.—The Committee were strongly opposed to the suggestion that the Income-tax authorities should be given any longer time for the completion of proceedings. There was more than enough delay already in completing proceedings and, therefore, no justification for allowing any additional period.

Paragraph 16.—They also strongly opposed the addition of a reference to section 33A in sub-section (2) of section 34 for the reason that the principle of finality of assessments must be adhered to.

Paragraph 17.—The Committee would accept the proposal that the principle of sub-section (5) of section 46, at present limited to salaries, should be extended to other classes of funds held by any person on behalf of an assessee provided:

(*a*) it applied only to the recovery of an amount due against a demand under section 29 on a completed assessment, and

(*b*) in the case of any funds held jointly with another person or persons only the portion of such funds as was the property of the assessee might be "attached" under the provisions of sub-section (5) of section 46.

In May 1948 the Commission issued a questionnaire in order to assist them in ascertaining whether the actual incidence of taxation on income is and has been in recent years in accordance with the provisions of the law.

In replying to this the Committee first of all recommended (1) that as the Chamber had strongly supported in principle all proposals for a more efficient administration of the Income-tax and allied Acts, Government should give an assurance that a more complete collection of the total taxation would result in a fall in the individual company or personal rate of taxation.

(2) That the salutary custom of banking all receipts and the payment of all outgoings by cheque with suitable petty cash and imprest accounts should be advocated or perhaps even made a statutory requirement.

As regards the questionnaire, the Committee made the following comments and suggestions:

I. *Residents and Non-residents.*

1. Is it necessary or justifiable to retain in the statute the special group of provisions relating to the category described as "not ordinarily resident"?

Answer.—The Committee do not consider it necessary or justifiable to retain in this statute the special group of provisions relating to the category described as "not ordinarily resident."

2. Under the existing law, a non-resident is not liable to pay tax on profits brought into or remitted to British India during the particular year in which he claims the status of a non-resident, although in preceding years he might have been a resident and he may resume the status of a resident in the very next year after he has brought his foreign earnings into the country. To meet such a case, would you approve of the introduction of a category of "ordinarily resident" defined in positive terms analogous to the provisions suggested by the English Codification Committee with regard to persons styled as "principally resident," or would you suggest that even non-residents should be declared as assessable in respect of profits brought into or remitted to British India?

Answer.—The Committee agree to the introduction of a category of "ordinarily resident" defined in positive terms analogous to the provisions suggested by the English Codification Committee with regard to persons styled as "principally resident." They do not, however, consider that non-residents could be declared as assessable in respect of profits brought into or remitted to British India.

3. What suggestion would you make to improve the means available to the Income-tax Department for ascertaining the total income in the case of non-residents ?

Answer.—The Committee have no suggestions to offer.

4. The Act makes no express provision in respect of cases where a non-resident has businesses or business connections through more than one person in different parts of India. It may be open to question whether any one of such persons can be treated as assessee in respect of profits made in the business carried on by or through another such person in another part of the country. There can be no doubt that the non-resident himself can be assessed on the aggregate of profits made in all the places. Will it not, therefore, be desirable to provide that for convenience of realisation, the Income-tax authorities can treat any one of these persons as the assessee (under sections 42 and 43) in respect of the profits made by or through all the agents of the non-resident ? If this view is adopted, provision will also have to be made for retainer of the necessary sum by the agent so selected.

Answer.—As the agent becomes the assessee for the non-resident's liability and obviously only knows of the business put through him, the Act, as it stands, is sufficient to enable the Income-tax Officer to treat as many persons as he likes as agents and this should be the normal course, as it is unjust that an agent should become assessable on taxable income of which he is not aware.

II. *Hindu Undivided Families.*

5. What changes would you suggest in the law relating to the assessment of the income of a Hindu undivided family to income-tax ? Would you make any difference between a family governed by the Dayabhag law and a family governed by the law of the Mitakshara ? Would you suggest any modification with reference to the test laid down in the Act for determining the residence of a Hindu undivided family in so far as it is linked up with the residence of the *Karta* which may change from time to time and may not always have a relation to the situs of the family properties ?

Answer.—The Committee have no comments to offer.

III. *Companies and Firms.*

6. Do you think that the provision made in section 4A (iv) (c) declaring a foreign company (that is a company having its head office outside India) to be resident in British India in respect of any particular year, if its income arising in British India during that year exceeds its income arising without British India, requires any modification, as it may result in bringing into account in Indian taxation losses sustained by the foreign company abroad ? Do you think that the situation could be met by a provision as to the manner or circumstances in which the foreign losses of such a company should be dealt with for the purpose of India taxation, or would you suggest any other change in the Act so far as it relates to taxation of foreign companies ?

Answer.—The resident assessee's losses must be taken into account if his profits are going to be taxed.

The Committee, however, submit for your consideration a reversion to the practice obtaining in 1937.

7. A complaint has been made that firms avoid super-tax by converting themselves into companies, particularly private limited companies. Are you in favour of the imposition of a graduated super-tax properly so called on companies in place of the existing corporation tax which is only a flat rate but which is not subject to any minimum ? If the answer is in the affirmative

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do you think that a shareholder to whom a company pays dividends should be entitled to the same treatment in respect of super-tax as he receives with regard to income-tax under section 49B ?

Answer.—The Committee consider that, if the provisions of section 23A are properly applied, this situation will not arise.

In principle, the Chamber have always held that corporation tax should be treated as income-tax.

8. Do you think it necessary or expedient to treat private limited companies as incorporated bodies for the purpose of income-tax assessment, or would you prefer to see them assimilated to partnerships which in substance they are ? If the existing provisions relating to private limited companies are to be retained, have you any modifications to suggest either in the definition of such companies for the purposes of the Income-tax Act or in any other respect ?

Answer.—No change is considered necessary.

9. Is it not desirable to check the practice of converting each venture of practically the same set of persons into a separate private company merely with a view to escape higher rates of taxation ? If so, what will be the best method of doing it ? Similarly, how is it possible to checkmate the practice of creating nominal intermediate concerns or taking or introducing nominal partners, frequently minors, women and dependents for the same purpose ? Would it not be desirable to have provisions in the Income-tax Act similar to sections 10 and 10A of the Excess Profits Tax Act ?

Answer.—Here again the Committee consider that, if section 23A is properly applied, there cannot be any tax evasion. They consider that the provisions of this clause are sufficient to collect the tax.

10. What steps can you suggest to prevent *ex post facto* creation of evidence in favour of an earlier partnership to escape higher rates of taxation in respect of periods when large profits had been made ? Do you think it desirable to enact in this country a provision similar to that in England under the " Registration of Business Names Act," compelling the proprietors of businesses to register the names of their businesses, the persons interested therein, the place or places where they are carried on, within a specified period after the commencement of the business ? The provisions of the Indian Partnership Act relating to registration have not achieved the purpose which it was hoped they might achieve. Section 26 of the Income-tax Act leaves the matter to the option of the assessee and registration may take place long after the commencement of the alleged partnership. Compulsory registration will obviate a great deal of uncertainty and unnecessary enquiries as to the true ownership of the business, both in the interest of the public and for the purposes of taxation.

Answer.—The Committee consider that the provisions for registration under the Indian Partnership Act should be made compulsory.

IV. *Mutual Associations.*

11. Would you recommend any change in the law relating to mutual associations making profit out of commercial activities ?

Answer.—No change is considered necessary. The provisions of section 10 (6) of the Act are sufficient to collect tax on the activities of such societies.

V. *Collection and Information at Source.*

12. Is there any scope for extending the provisions of the Act relating to (*a*) deduction of tax at source, and (*b*) furnishing of information as to payments of rents, etc., by the person paying ?

Answer.—Sections 18 and 38 respectively are considered to be wide enough to give all the information that may be required relating to :

(*a*) deduction of tax at source and (*b*) furnishing of information as to payments of rents, etc., by the person paying.

13. Would you recommend the insertion in the Act of a provision obliging companies to deduct super-tax from dividends payable to all non-resident shareholders even when the amount of dividend is below the maximum amount not chargeable to super-tax ? The total world income of a non-resident shareholder may well exceed the maximum amount not chargeable to super-tax or he may draw dividends from more than one company and the aggregate of such dividends even in India itself may exceed such maximum. If you are in favour of such a provision what do you think should be the rate for the levy ?

Answer.—The Committee consider that the Income-tax Officer already has sufficient power under the provisions of section 18 (3D) to deal with this situation.

VI. *Advance Payment (Interest On).*

14. Is there any justification for differentiating between cases falling under section 18 and cases falling under section 18A by allowing interest on advance payments only in respect of the latter, prepayment or precollection being a matter of convenience in both classes of cases ?

Answer.—This does not seem to be practicable and the existing provisions are considered to be adequate. The Act could only be altered with great difficulty.

VII. *Computation of Income.*

15. Can the provisions of section 10 (4) (*b*), which are limited to firms, be extended *mutatis mutandis* to private limited companies and associations generally ?

Answer.—The Committee do not consider that the provisions of section 10 (4) (*b*), which are limited to firms, can be extended *mutatis mutandis* to private limited companies and associations generally.

16. Have you any objection to the introduction of a provision on the lines of section 108 of the Australian Act declaring that any distribution out of income by way of advances or loans made by a private company to its shareholders shall be treated as dividend ?

Answer.—The Committee have no objection to this suggestion provided distribution by way of advances and loans is included in profits deemed to be distributed under section 23A.

VIII. *Deductions and Allowances.*

17. In view of the provisions of section 14, sub-clause (2) (*c*) excluding from income-tax income, profits or gains accruing or arising within an Indian State (unless received or brought into British India), should not proviso 1 to section 24 be so worded as to make it clear that losses sustained in an Indian State should not be taken into account so as to reduce the taxable amount of profits actually made within the Indian Union during the same period, except in so far as the profits made or losses incurred in the Indian States may be relevant to the determination of the rate of tax which will depend upon the total world income.

Answer.—This is considered reasonable.

18. Would it be possible to meet the complaint of the public that Income-tax Officers are taking an unduly narrow view in accepting as expenses incurred for business purposes only a small proportion of the sums proved

to have been spent in the maintenance of motor cars, giving entertainments and other attractions for the benefit of customers ?

Answer.—The Committee consider that all sums proved should be allowed by Income-tax Officers as expenses incurred for business purposes.

19. What steps should be taken to checkmate attempts to show items of capital expenditure on plant, machinery and buildings as no more than cost of ordinary repairs and maintenance ?

Answer.—The best incentive to discourage charging of capital items to revenue is to increase the depreciation allowance to 200 or 300 per cent. of the original cost, at least for a period of five years, after which the position can be reviewed.

20. Could not section 10 (2) (iii) be so worded as to make it clear that the interest paid on capital borrowed for business can be regarded as an admissible deduction only so long as and to the extent to which the amount borrowed is used for business ? The mere fact of initial borrowing for business cannot be the test independently of how the amount borrowed is subsequently used.

Answer.—So long as the original borrowing was for the purpose of the business, the interest must remain a charge against revenue until it is repaid.

21. Section 10 (2) (vi) provides generally for depreciation allowance in respect of machinery, etc. A question has arisen as to whether full allowance for the year or only proportionate allowance should be given in cases in which—

(*a*) the machinery is not worked for the whole year, or

(*b*) the assessee is not the owner of the machinery for the whole year.

Should not a provision for proportionate allowance only be made to meet such cases ?

Answer.—This question has already been covered by the recent amendment to Rule 8 of the Income-tax Rules.

IX. *Stock Valuation.*

22. Will it not be expedient to empower the Central Board of Revenue to provide by rules the methods by which and the principles according to which stock valuation should be made for arriving at profits for the purpose of taxation ?

Answer.—The Committee consider this to be impossible.

X. *Usufructuary Mortgages.*

23. Will it not be desirable to make a specific provision in the statute itself as to the manner in which income derived by a mortgagee in possession of agricultural land should be dealt with for income-tax purposes ? If so, on what lines do you think such legislation should proceed having regard to the possible varieties of arrangements under which the mortgagee may be in possession ?

Answer.—The principle involved seems already to be covered by case law.

XI. *Premium on Leases.*

24. In view of the growing practice of receiving premia—by whatever name called—in connection with leases, would it not be right to provide in the Act itself that such premia should be treated as taxable income either

in the year of receipt or by distributing the same over the period of the lease ? (Compare sections 83 and 84 of the Australian Act and the English decision in *Abbot* vs. *Davies*, 11 T.C. 575.)

Answer.—The Committee consider that premium on leases is essentially capital.

XII. *Unclaimed Balances.*

25. What do you think of a proposal that unclaimed and waived surpluses to the credit of customers, suppliers and employers to the extent they are made up of deductions or allowances previously allowed as admissible expenditure for the purpose of assessable income, but not fully expended or paid in actual fact for over three years, should be deemed as profits on the analogy of the proviso to section 10 (2) (11) in respect of debts previously written off partially or wholly.

Answer.—The Committee consider that such income should be taxable in the year after the period of limitation has expired. This may not, in all cases, be three years.

XIII. *Superannuation Funds.*

26. Have you any suggestions to make on a proposal to place the law relating to Superannuation Funds (Chapter IX (B) of the Income-tax Act) on a footing similar to that in respect of provident funds so as to secure—

(i) that the aggregate of the annual accretion to the superannuation fund of an employee including his own contribution but exclusive of interest, together with similar accretions to his recognised provident fund, if any, shall not exceed in any year 25 per cent. of his salary proper;

(ii) that the limit for exemption from income-tax as laid down in section 58 (F) shall apply to the aggregate contributions to the approved superannuation fund and the recognised provident fund of each employee. Similarly the limit of exemptions on interest as laid down in section 58 (F) shall apply to the aggregate of the interest on the provident fund and the superannuation fund;

(iii) that the annual accretion to the superannuation fund shall, like the accretion to a recognised provident fund, be deemed to have been received by the employee and shall be included in his total income under the head "salary" subject to the exemption from income-tax but not from super-tax.

Answer.—It is considered that the implications of this may be far-reaching and it may be best to leave the Act as it stands.

XIV.—*Super-tax.*

27. Will it not be right to extend the principle underlying section 17, sub-section (2), to super-tax also, as otherwise persons who are members of unregistered firms or associations may escape payment of legitimate super-tax merely on payment of some super-tax in the name of the firm (*vide* second provision to section 55) ? Section 23 (5) (*b*) may not prove to be a sufficient safeguard and it has no application to associations.

Answer.—The Committee consider that it will be right to extend the principle underlying section 17, sub-section 2, to super-tax also.

XV. *Submission of Return.*

28. What ways can be devised to compel a man who has been successfully escaping the attentions of the Income-tax authorities to submit a return of his income or to declare by a sworn statement that his income was below the taxable limit ? Under the present practice the burden lies on the ncome-tax authorities to find out whether a man has taxable income or not

before issuing a notice to him under section 22 (2), and in this way many people escape taxation altogether. Failure to make a return in pursuance of a general order under section 22 (1) is not an offence under the Income-tax Act.

Answer.—The penalty imposed under section 28-(1)-(*a*) is considered to be sufficient to deal with this.

XVI. *Accounts (Keeping and Production).*

29. Is it not time to provide in the statute itself as in Australia and in some other countries that every person carrying on business should keep sufficient records of his income and expenditure to enable his assessable income and allowances to be readily and truly ascertained ?

Answer.—The Committee agree that it is time to provide in the statute itself that every person carrying on business should keep sufficient records of his income and expenditure to enable his assessable income and allowances to be readily and truly ascertained.

30. What steps can be taken to encourage, if not to compel as large a number of assessees as possible (particularly those engaged in business) to keep proper accounts, to preserve them for at least some years, and in cases where they relate to business fetching an income above a certain limit, to adopt the practice of getting them audited by qualified auditors ?

Answer.—This can be done by an amendment of the Act.

31. Do you see any objection to auditors being asked to report to the Income-tax Department at the end of each year the names of the persons or concerns whose accounts they have audited during the year ? It has been suggested that the fact of audit is often concealed by some assessees to enable them to conceal from the Income-tax authorities the result of the audit if the audit happens to show large profits.

Answer.—There is no objection to this suggestion, but it is believed that the Income-tax Department has not sufficient staff to correlate this information. They certainly have not enough staff to deal with all the information called for under section 38 which entails a great deal of unnecessary work on those making the return.

XVII. *Best Judgment Assessment.*

32. How do you suggest the Income-tax Officers should proceed where they find that accounts have been suppressed or that accounts produced are not complete and they are driven to make a best judgment assessment ? On what basis should such assessments be made ? What in your opinion should be the scope of an appeal against a best judgment assessment ?

Answer.—The Committee are of the opinion that the basis of the assessment must be the best judgment on the facts of each case.

XVIII. *Avoidance and Evasion.*

33. What changes would you make in proviso 1 to section 43 to ensure that a non-resident broker is a genuine broker and not an alias for the foreign merchant.

Answer.—The Committee feel that no suggestions which could be made in this regard would be practicable.

34. In what manner can the provisions of section 16 (1) (*c*) and sub-section (3) be amplified so as to hit at devices similar in principle but different in form from those specifically mentioned in the section ? A question has arisen particularly with reference to transfers in favour of grandchildren, nephews, illegitimate children, etc., and also in respect of shares in companies held in or transferred to joint names of husband and wife.

Answer.—It is considered that the provisions of section 16 (3) should be amended to cover the cases mentioned.

35. Would it not be right to provide that when the income from the transferred property is assessed as if it were the income in the hands of the transferor, the tax thus assessed shall be recoverable also from the property so transferred ?

Answer.—This is reasonable.

36. If blank transfers of shares and securities are permitted to continue, what safeguards would you suggest to prevent that practice being utilised to defraud public revenue (1) by concealing the identity of the person who received dividends or interest, (2) by concealing profits made in share dealings, and (3) by claiming genuine or fictitious losses while concealing profits ?

Even if the transfer is not in blank, is it necessary or desirable to make a specific provision in the Act as to the person whom the Income-tax authorities should take note of as the owner of the share during the interval between the date of the transfer and the date of its registration in the books of the company ?

Answer.—The answers to the three points under this question are as follows :

1. This is already covered by a recent decision.

2. This is covered by the provisions of section 38.

3. The returns under sub-section (4) of section 38 cover this, if the department have sufficient staff to correlate the information.

The answer to the second half of question 36 is covered by the same decision referred to in (1) above.

37. What measures would you suggest to prevent avoidance of taxation where an employer instead of paying full remuneration as salary pays part of it by giving various benefits such as conveyance allowance, medical allowance, schooling allowance, reduced rent, free food, etc., all these benefits being not taxable under the law as it stands ?

Answer.—In this question the Committee consider that the utilisation of the benefits referred to should be proved.

XIX. *Persons Leaving the Country.*

38. What provisions would you recommend to safeguard against loss of revenue on account of assessees leaving India for good without leaving assets ? Would you make any difference in this connection between cases where the person concerned leaves India before completion of assessment and cases where he leaves India after the assessment has been completed but before payment.

Answer.—The Committee do not consider that any expedient is feasible which would not place an intolerable burden on the honest assessee.

XX. *Bankruptcy and Winding-up.*

39. Will it not be right to enact that the claim for income-tax should have priority over other debts even in liquidation and bankruptcy proceedings ? If so, should any difference be made according as liquidation or bankruptcy commences after the assessment of the tax or before assessment ?

Answer.—The answer to the first part of this question is " Yes " amongst other Crown debts. In regard to the latter part of the question, the Committee do not consider that any difference should be made according as liquidation or bankruptcy commences after the assessment of the tax or before assessment.

40. What provision would you recommend to safeguard against loss of revenue on account of a receiver in bankruptcy or a liquidator being discharged before assessment or payment or income-tax payable in respect of income arising during the pendency of the bankruptcy or liquidation proceedings ?

Answer.—The answer to this question is " None," because the receiver in bankruptcy or a liquidator is personally liable. In these cases assessments should be speeded up.

XXI. *Penalties.*

41. The provisions relating to the levy of penalties for failure to submit returns are sometimes complained against as leading to arbitratory exercise of power. Can any other scheme be thought of which in the event of failure to submit returns would operate automatically and not at the discretion of the Income-tax Officer ? For example, can it be provided that persons who have not submitted their returns should not be entitled to claim statutory deductions of certain kinds.

Answer.—The existing provisions are sufficient.

42. The penalty provisions of the Income-tax Act as they stand hit only cases where incorrect statement in the return has been deliberately so made. Will it not be right to insist on a stricter standard in respect of the liability of assessees to discharge their statutory duty of submitting correct returns ?

Answer.—The answer to this question is " No."

43. Will it not be right to follow the English law and declare even abetment of submission of incorrect returns to be an offence ?

Answer.—Yes, if an incorrect return is deliberately made.

44. What do you think should be the policy of the Government in cases in which it is satisfied that an offence under section 52 or one punishable under the I. P. Code has been committed ? Should it ordinarily proceed to prosecute the person concerned, or preferably safeguard the revenue by levying a penalty under section 28 or compounding the offence ? If the possibility of prosecution is to act as a deterrent, should not the maximum penalty under section 52 be much greater than it is now ? What do you think is likely to be the reaction of the public (1) if there are frequent prosecutions for income-tax offences, and (2) if clear cases of offences are compounded ?

Answer.—The Committee strongly recommend prosecution and not compounding.

45. Have you any comments or suggestions to make with reference to the exercise of the power under section 28 to levy penalties.

Answer.—No comments or suggestions.

XXII. *Secrecy and Publicity.*

46. What do you think of the proposal that the provisions of section 54 should be relaxed so as to permit the disclosure of confidential information in the following cases :—

(1) to the Advocate-General, where it appears that there has been a breach of trust relating to charity ;

(2) to the Provincial Government, in respect of information having a bearing on the recovery of sales tax ;

(3) to the proper authorities, when the assessee makes in the course of I. T. proceeding statements which implicate him in a criminal offence and

when such statements have been made with a view to escape liability under the Income-tax Act ;

(4) to a third person, where assessee asserts the right of such third person to certain property or income and the Income-tax authorities have reason to believe that such assertion is not true and has been made with a view to escape or reduce liability to tax ?

The first three cases are similar in nature to the exemption now recognised under sub-section (3) to section 54 of the Act. The fourth case is similar to the provisions contained in section 7 (4) of the Income-tax (Investigation Commission) Act. The possibility of the disclosure being made to a party who may be in a position to take advantage of the false statement made by the assessee may act as a deterrent against the assessees recklessly making such false statements.

Answer.—The answers to the four points raised under this question are as follows :

1. Yes. 2. No.

3. Yes. 4. No. This is too wide.

47. Have you any suggestions to offer or remarks to make in respect of the following proposals :—

(1) that wide publicity should be given in respect of cases where assessees are, after enquiry, found to have made gross understatements of their income ;

(2) that similar publicity should be given to gross instances of cases in which persons have been convicted of income-tax offences ?

Answer.—The Committee consider that, under both points raised in this question, publicity will follow prosecution.

XXIII. *Appellate Procedure.*

48. Do you think that it is necessary to provide a right of appeal (i) against an order of rectification under section 35, and (ii) against an order of the Appellate Assistant Commissioner refusing to extend the time for filing an appeal or dismissing an appeal as not filed in time ?

Answer.—The answer to both points raised under this question is that a right of appeal should be provided.

49. Can a non-resident assessee who fails to pay the demand be put on condition that he should deposit the tax before any appeal filed by him against the assessment is heard ? Alternatively, can he not be asked to give security for payment in the event of the decision going against him ?

Answer.—The tax must be paid before the appeal is filed, but the alternative suggestion is sound.

50. Will it not be right to enact in the statute itself that fresh evidence can be admitted in appeal only in cases in which the same could not have been produced before the Income-tax Officer even with due diligence and attention ?

What have you to say regarding a proposal that in all appeals under the Act the onus should be specifically laid upon the appellant to show that the Income-tax Officer's assessment order was wrong ? This appears to be the rule in England.

Answer.—The answer to the first part of this question is that fresh evidence without restrictions should be admitted at any time. In regard to the second half of the question, the onus is always on the appellant.

51. What course would you suggest to safeguard the interest of revenue in cases in which a person who has become entitled to a refund of the tax levied from him on the reversal of an order of assessment may ultimately be held liable by higher appellate authority, if by that time the person has either left the country or has failed in business and is no longer in a position to pay ? The statute, as it now stands, provides for only one possible contingency of this kind, namely, when Government appeal to the Privy Council against an order of the High Court (see proviso to sub-section (7) of section 66).

Answer.—**It appears that the risk in this case must be taken.**

XXIV. ***Administration.***

52. (a) ***Income-tax Officers.***—**What have you to say to a proposal that enhanced powers should be given to Income-tax Officers to enable them to gather relevant information, particularly—**

(i) to deal effectively with persons suspected of having black market dealings ;

(ii) to enter business premises and inspect the accounts maintained therein, place identification marks thereon and make copies therefrom and if the officer has reason to think that they may not be forthcoming when required, to impound them ;

(iii) to make a search of places where there are reasonable grounds for believing that relevant books and records have been kept ; and

(iv) to call for relevant information from banks and other business houses.

Answer.—**The Committee consider that section 38 is more than sufficient to cover points 1 and 4 of this question. As regards 2 and 3, they consider that such powers should not be given to Income-tax Officers.**

53. Would it not be desirable to have a provision in the statute itself specifically authorising officers of the Income-tax Department to call upon assessees to submit total wealth statements at any time they may consider it necessary ?

Answer.—This is already provided for.

54. Have you any suggestions to make :—

(i) relating to recruitment and training of Income-tax Officers and distribution of work among them ;

(ii) calculated to improve the relations between the public and the income-tax staff ; and

(iii) to educate public opinion to the due realisation of civic responsibility in the matter of meeting the tax obligations and co-operating with the Department.

Answer.—**Under this question the Committee consider that the sympathetic co-operation of the Income-tax Department with the tax-payers might help to bring about a better realisation of civic responsibility in the matter of meeting tax obligations.**

55. Can you suggest any remedies to meet complaints frequently made of unreasonable delays on the part of the Department in dealing with claims for refunds ? Do you think that there is any justification for a complaint that

the provisions of section 48 receive unduly narrow interpretation at the hands of the Department ? If you think so, how do you suggest that this should be remedied ?

Answer.—The remedies are longer hours of work and more staff, if necessary.

56. (*b*) *Inspecting Assistant Commissioners.*—Is it advisable to define in the statute itself the powers and duties of Inspecting Assistant Commissioners and the Director of Inspection in view of the existing practice of their inspecting assessment records and advising Income-tax Officers in matters connected with current assessments ?

Answer.—The Committee consider it is advisable to define in the Statute itself the powers and duties of Inspecting Assistant Commissioners and the Director of Inspection.

57. (c) *Appellate Assistant Commissioners.*—What do you think of a proposal to make the following changes in the provisions relating to appeals :

(i) that the Appellate Assistant Commissioners should be removed from the control of the Central Board of Revenue and placed under the control of the Ministry of Law ;

(ii) that there should be only one appeal on questions of fact, namely, to the Assistant Commissioner in certain classes of cases and direct from the Income-tax Officer to the Appellate Tribunal in other cases. This would correspond with the practice in the ordinary Civil Judicature.

Answer.—The answer to points (i) and (ii) of this question are as follows :

(i) Most certainly. (ii) No.

XXV. *Rewards.*

58. Is it desirable that the Income-tax Department should reward informers for valuable information to the Department in respect of tax evasions ? If so, what safeguards would you suggest so that the system may not be availed of by black-mailers ?

Answer.—The Committee consider it is undesirable for the Income-tax Department to reward informers for valuable information in respect of tax evasions.

59. What do you think will be the appropriate procedure to be followed when an assessment proceeding started before one Income-tax Officer has to be completed before another, either because the case is transferred from one Income-tax Officer to another or because one Income-tax Officer is on transfer, retirement, etc., succeeded by another ? Can the proceedings be continued from the stage which it has already reached, or do you think it necessary or worthwhile to have a rehearing either in all cases, or at any rate in cases in which the assessee so desires ?

Answer.—The proceedings ought to be continued at the option of the assessee and this should apply also in appeals to the Assistant Appellate Commissioner.

XXVI. *General.*

60. Have you any other suggestions to make, on points not covered by the above questions, by way of amendment of the Income-tax Act or with reference to its administration, especially with regard to avoidance or evasion of the payment of income-tax ?

Answer.—The Committee have no other suggestions to offer.

INCOME-TAX AND BUSINESS PROFITS TAX (AMENDMENT) ACT, 1948.

The amendment made by this Act to clause 6 of section 2 of the Indian Income-tax Act had the effect of making U.K. and Empire Companies no longer assessable to tax as companies as from the fiscal year 1948-49, unless or until general or special orders were issued by the Central Board of Revenue. A still more serious effect was that the amendment became in substance retrospective for almost two years as assessments for the fiscal year 1949 are based on a company's previous financial year and might therefore, in some cases, extend back to the year ended 30th April 1947. This Chamber and other Chambers protested to Government against the inequity of this and claimed that the amendments should, in any event, not apply to companies which were operating prior to 15th August 1947 and which up to that date had been treated as companies for the purpose of assessment to income-tax.

On the 25th September 1948 the following notification was issued by the Central Board of Revenue :—

" No. 49. In exercise of the powers conferred by sub-section (6) of section 2 of the Indian Income-tax Act, 1922, the Central Board of Revenue is hereby pleased to declare every non-Indian Association to be a company both for purposes of assessment for the year ending 31st March 1949 as well as for purposes of deduction of super-tax during the year ending 31st March 1949 under the provisions of section 18 of the said Act, provided the Income-tax Officer is satisfied that it fulfils the following conditions, namely :—

(1) that it is an Association incorporated under the laws of any country ; *and*

(2) that it is assessable, or was in fact assessed, as a company for the assessment year ending on 31st March 1948 ; *and*

(3) *Either* that it is an association in which the public are substantially interested, that is to say, its shares (not being shares entitled to a fixed rate of dividends), carrying not less than 51 per cent. of the voting power have been allotted unconditionally by, to, or are acquired unconditionally by, the public *and* have been the subject matter of dealings in any Stock Exchange during the year ending 31st March 1948 and are in fact freely transferable by the holders to other members of the public ;

Or that it is an Association of which the entire share capital is held directly or through nominees by an Association in which the public are substantially interested as above."

The conditions laid down in this notification meant that no privately owned non-Indian company, except one which was a 100 per cent. subsidiary of a public company, would be treated as a company for the purpose of taxation but would be liable to assessment as an association of individuals at the rates of

tax applicable to individual assessments. The following letter was therefore addressed by the Chamber to the Secretary, Central Board of Revenue, on 25th October 1948 :

Bill to Amend the Indian Income-tax Act and the Business Profits Tax Act—Section 2(6).

" The Committee of this Chamber have, in consultation with the Income-tax Sub-Committee, considered the Select Committee's Report on the above Bill which was passed by the Assembly on 30th August, together with notification dated 25th September from the Central Board of Revenue. The effect of the amending Act by virtue of section 1(2) is to render non-Indian companies liable to assessment as associations of persons for the assessment year 1948-49 onwards unless declared by the Central Board of Revenue to be " companies for the purposes of the Act." Apart from other considerations, the amending Act is retrospective as assessments for the fiscal year 1948-49 are based on each individual company's previous year which may, in some instances, be the year ending 30th April 1947. This is considered to be a most inequitable principle and the Committee had hoped that the Board would have issued orders at least for the fiscal year 1948-49, which would have recognised as companies those companies which were so recognised prior to 15th August 1947.

2. The effect of the Board's notification of 25th September is clear as regards certain foreign companies, i.e., (*a*) public companies in which the public are substantially interested, and (*b*) private companies which are 100 per cent. subsidiaries of public companies, but a further condition for recognition is introduced, namely, that the shares have been the subject matter of dealings in any Stock Exchange during the year ended 31st March 1948. It should not be necessary to point out that this is a condition with which the company itself has no power to comply, and it does happen that where shares are strongly held transactions are infrequent, or even non-existent. Further, it is nowhere laid down that a public company must apply for, and obtain, recognition from a Stock Exchange and, in practice, many public companies both in India and elsewhere (particularly the small companies) have no such recognition. The terms of the notification are effective for one year only, i.e., for the fiscal year 1948-49, which is far from satisfactory. As the present trading of " recognised " companies will be the basis of their assessments for the year 1949-50, or even in some cases 1950-51, it appears that their assessments will be dependent on further notifications by the Central Board of Revenue, each having retrospective effect—a wholly undesirable state of affairs. The Committee would strongly urge that so long as foreign companies continue to comply with the conditions laid down in the notification, they should continue to be classed and treated as companies within the meaning of the Act.

3. As regards companies and associations which do not comply with the conditions laid down in the Central Board of Revenue's notification, i.e., private companies, new public companies, companies which have had no Stock Exchange dealings in their shares, or less-than-100 per cent. subsidiaries, the position has not been clarified, but the inference is that such companies will be treated as individuals for the year 1948-49 and for future years unless they can obtain a special order from the Central Board of Revenue declaring them to be companies.

4. In view of the hardship that will devolve upon concerns which have in the past been classified as companies, my Committee strongly urge the Board to reconsider this matter and issue orders which will include within the meaning of the Act, at least the following additional categories of Companies for the fiscal year 1948-49.

(*a*) Private companies which are owned by two or more public companies;

(*b*) Private companies which are subsidiaries of public companies but which may have a few outside shareholders;

(*c*) All other foreign companies or associations which have been assessed as companies for the assessment year ending on 31st March 1948.

As regards public companies of the categories mentioned in paragraph 2 and categories (*a*), (*b*) and (*c*) of paragraph, 4, it is strongly recommended that as long as they comply with the conditions laid down in the Board's notification of 25th September, they should continue to be treated as companies, as it is most unsatisfactory for fresh notifications to be issued each year in retrospect."

Further representations were made and it was pointed out to the Government of India that the amendment to the Income-tax Act, read with the Central Board of Revenue's notification dated 25th September, would have a crippling effect on many old-established privately controlled companies which had been trading in this country for many years.

It is satisfactory to be able to record that the inequities which would have resulted had the 1948 legislation remained on the Statute Book were removed by the 1949-50 Budget proposals. The Hon'ble the Finance Minister made the following statement in regard to the proposed change:

"The second change relates to the taxation of incomes of privately controlled companies which do not declare their dividends in India. It may be recalled that there was a serious anomaly in the administration of income-tax law relating to the recovery of super-tax from shareholders, in respect of the dividends paid out of Indian profits, by companies incorporated outside this country. It was difficult to obtain from these companies information concerning the names of their shareholders and the amounts of dividends paid out of Indian profits and there was consequently a considerable loss of revenue. The problem of plugging this leakage was considered last year and my predecessor introduced a scheme whereby an extra tax of one anna was imposed on all such companies with a view partially to recouping the loss. As part of the scheme, an amendment was made to the Income-tax Act so as to confer personal immunity from further taxation upon the shareholders of such companies. The amendment, however, had the effect of conferring immunity from super-tax not only upon the dividends actually received, but also upon the dividends which under the operation of section 23-A of the Income-tax Act could be deemed to have been received from privately-controlled companies. Therefore, if the matter had been left there, the profits of these companies would have escaped with an overall impost much lighter than that to which they were subject under the previous law. This point was met by applying to this category of companies the rates of income-tax and super-tax prescribed for individuals or associations and the definition of "company" was altered to permit of this being done by executive action. The arrangement has, however, not been satisfactory, and after a careful review of the matter I have decided that instead of attempting to tax each such privately-controlled company as an individual, the principle of applying an average rate should be adopted. I accordingly propose that all corporations, whether Indian or non-Indian, should continue

to be treated as companies but a further super-tax of one anna should be paid by those privately controlled companies that do not distribute their profits in India. I propose to apply this method commencing with the current year. It will not involve any change in the revenue estimates."

The revised rates of tax are shown on pages 273-76 of this report.

INCOME-TAX APPELLATE TRIBUNAL RULES.

In April 1948 a member firm drew the attention of the Chamber to Rule 29 of the Appellate Tribunal Rules, as revised recently, which was likely to cause considerable hardship to assessees. The revised rule reads as follows :

" The parties to the appeal should not be entitled to produce additional evidence, either oral or documentary, before the Tribunal."

In May 1948 the Committee addressed the Central Board of Revenue, Government of India, and pointed out that presumably the rule had been revised on the analogy of the practice of refusing to entertain any fresh evidence in appeal prevailing under the Civil Procedure Code. If that were so, the Committee considered the Board should distinguish between the objective of the proceedings in the Civil Procedure Code and the Income-tax Act. So far as the assessment proceedings under the latter are concerned, the objective is a fair and just assessment and not to win the case on points as it is under the former. Besides, all assessees could not afford and did not engage expert advisers at the original stage and some evidence, which they have, and which, through ignorance, was left out, might prove useful to adjudge the assessment correctly in an appeal.

The Tribunal is the final fact-finding authority. If, therefore, the assessees were prevented from submitting relevant evidence at that stage, it would be difficult for them to go to the High Court even on important issues.

The revised rule thus caused hardship to assessees and at the same time defeated the objective Government had in view, viz., correct assessment.

In requesting the Central Board of Revenue to revise the rule so as to admit evidence at the Appellate stage, the Committee emphasized the U.K. procedure in appeals where evidence could be led on any point under appeal.

The Chamber subsequently received a reply from the Ministry of Law, Government of India, to the effect that they were unable to accept the proposal.

INCOME-TAX.

PROVIDENT FUND AND SUPERANNUATION FUNDS.

The following memorandum issued by the Commissioner of Income-tax, which was brought to the notice of members by this office circular No. 385/4046 of 24th November, is reproduced for purposes of record.

"In order that the provident and superannuation funds of employers carrying on business in both the Dominions of India and Pakistan, may receive/retain approval under the relevant provisions of the income-tax laws in force in the two Dominions, the employers may find it necessary to maintain separate funds in India and in Pakistan. For that purpose they may also find it necessary to transfer to either Dominion so much of the assets and liabilities of a provident/superannuation fund as represent the assets and liabilities of the members of that fund employed in the other Dominion. Such transfers of assets and liabilities are not legally permissible under the laws of the two Dominions, but having regard to the convenience of the employers and their staff, the Dominions have agreed to relax their legal provisions with a view to allowing such transfers within a limited period up to the 31st March 1949. This may please be brought to the notice of all concerned, it being made quite clear that the concession will not be available in respect of transfers to be made after 31st March 1949."

INDIAN INCOME-TAX RULES, 1922.

RULE 13D.

Notification No. 46, dated 18th September 1948, issued by the Central Board of Revenue, is reproduced for purposes of record :—

In exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act, 1922 (XI of 1922), the Central Board of Revenue direct that the following further amendment shall be made in the Indian Income-tax Rules, 1922, the same having been previously published as required by sub-section (4) of the said section, namely :—

In the said Rules—

1. After rule 13C, the following rule shall be inserted, namely :—

"13D. The effective arrangements (referred to in sub-section (3E) of section 18 and in section 19A of the Act) to be made by a company for the declaration and payment of dividends in the provinces of India and for the deduction of super-tax therefrom shall be as follows :—

(1) The share register of the Company for *all* shareholders shall be regularly maintained at its principal place of business within the provinces of India, (*a*) from a date not later than the 1st day of November 1948 in respect of the assessment for the year ending on the 31st day of March 1949, and (*b*) in respect of any assessment for any subsequent year, from a date not later than the 1st day of April of such year.

(2) The general meeting for passing the accounts of the previous year relevant to the year for assessment and for declaring *any* dividends in respect thereof shall be held only at a place within the provinces of India.

(3) The dividends declared, if any, shall be payable only within the provinces of India to all shareholders."

2. In the certificate set forth in rule 14 of the said rules, for the words "I/We hereby certify that income-tax on the entire/such part as is liable to be charged to Indian Income-tax of the profits and gains of the company, of which this dividend forms a part, has been, or will be duly paid by me/us to the Government of India," the following shall be substituted, namely :—

"I/We hereby certify—

(i) that according to the company's profit and loss account and balance sheet, the total profits of the period for which the dividend is declared exceed*/do not exceed* Rs. 47,000 after deduction of the depreciation allowance admissible according to the Indian Income-tax Rules, 1922 ;

(ii) that of the above profits the company estimates that . . . per cent. profits are chargeable in India and . . . per cent. chargeable in Pakistan ;

OR

that according to the company's last completed assessment *in India*, the percentage of profits chargeable in India and Pakistan was . . . and . . . respectively ;

(iii) that income-tax on the

entire

such part (being . . . . per cent.), as is liable to be charged to Indian Income-tax, of the profits and gains of the company, of which this dividend forms a part, has been or will be paid by me/us to the Government of India.

— ——

TREATMENT OF BUSINESS PROFITS TAX FOR DOUBLE INCOME-TAX RELIEF BETWEEN INDIA AND INDIAN STATES.

During the year, a member of the Chamber wrote to the Income-Tax Officer, Companies Circle II (i), Bombay, with regard to the procedure that would be adopted in settling double Income-Tax relief claims for the fiscal year 1947-48 and he replied as follows :—

"With reference to your letter dated 19-11-47, I have the honour to inform you that in respect of income assessed in Bhopal and Cochin, the income doubly taxed will be the amount arrived at after deduction of E.P.T.

In respect of the other States excepting Mysore, the income doubly taxed will be the gross income before deduction of E.P.T. and the rate at which this is assessed here will be that arrived at by dividing the Income-Tax *and* Corporation Tax levied by such gross total income. As far as profits subjected to B.P.T. are concerned, there being no agreements with any of the States mentioned by you, the net figures after deduction of this tax will be taken as doubly taxed.

As far as Mysore is concerned, the figure of net profits after deduction of E.P.T. and B.P.T. will be the income on which you will be entitled to D.I.T. relief."

As there was no Business Profits Tax in the States, Indian B.P.T. paid will be disallowed in the computation of profits for State tax purposes and at the same time the net figure after

* Delete the inappropriate words, so as to make it clear that the company is *either* liable to income-tax at the maximum rate, *or* one having an income of Rs. 25,000 to which a lower rate of income-tax with marginal relief, if any, would apply."

deduction of B.P.T. would be taken as income doubly taxed for double income-tax relief purposes. The result would be that the member and others similarly placed would suffer the State rates of income-tax on the proportion of State income which they would pay to the Indian Government by way of Business Profits Tax.

A similar position arose regarding the question of the allowance of Excess Profits Tax and on representing this matter to the Central Board of Revenue, certain concessions were agreed between the British Indian Government and the various Indian States.

The foregoing was referred to the Central Board of Revenue with a request that arrangements be entered into with the Indian States for the existing reciprocal arrangement regarding double income-tax relief to be granted in respect of Business Profits Tax also.

INCOME-TAX ACT 1922—PAKISTAN.

Members were advised by this office circular No. 93/4035, dated 24th November 1948, of an amendment notified by the Government of Pakistan in regard to rule 14 of the Income-Tax Rules, which reads as follows :—

For the words,

" I/We hereby certify that income tax on the entire/such part as is liable to be charged to Indian Income tax of the profits and gains of the company, of which this dividend forms a part, has been, or will be duly paid by me/us to the Government of India,"

the following shall be substituted :—

" I/We hereby certify—

(i) that Income-tax on the entire/such part as is liable to be charged to Pakistan Income-tax of the profits and gains of the company, of which this dividend forms a part, has been or will be duly paid by me/us to the Government of Pakistan ;

(ii) that of the above profits, the company estimates that . . . per cent. profits are chargeable in Pakistan and . . . per cent. chargeable in India or that according to its last completed assessment in Pakistan such percentage was . . . and . . . respectively."

INCOME-TAX.

INVESTMENT TRUST COMPANIES.

The following notification, published by the Ministry of Commerce (Revenue Division) in the *Gazette of India*, dated 21st February 1948, is reproduced for purposes of record :—

" No. 9.—In exercise of the powers conferred by sub-section (1) of section 60 of the Indian Income-tax Act, 1922 (XI of 1922), and in partial modification of the notification of the Government of India in the late Finance

Department (Central Revenues) No. 47 I.T., dated the 9th December 1933, the Central Government is pleased to order that the said notification shall not, with effect from the assessment year 1948-49, apply to any Investment Trust Company the control and management of whose affairs is not situated wholly in the Provinces of India."

The late Finance Department (Central Revenues) notification No. 47. I.T. of 9th December 1933 exempted from super-tax so much of the income of any investment trust company as is derived from dividends paid by any other company which has paid or will pay super-tax in respect of the profits out of which such dividends are paid.

INCOME-TAX.

INDEPENDENCE DAY BONUS—TREATMENT AS ALLOWABLE EXPENDITURE.

Notification No. C.27 (22) I.T./47 of 8th January, issued by the Central Board of Revenue and circulated to members under this office circular No. 93/283 of 26th January 1948, is reproduced for purposes of record :—

" The attention of Commissioners of Income-tax is invited to Board's letter C. No. 8 (38) EP/45 dated the 10th May 1946 containing the instructions that " Victory Bonus " may be allowed in the income-tax and excess profits tax assessments so long as the total of the bonuses paid did not exceed three months' basic pay of the employees. Similarly there is no objection to the Independence Day Bonus being taken into account in arriving at the total amount of bonus allowable as reasonable expenditure. However, the maximum amount, viz., 3 months' pay laid down in the Board's letter referred to above should still hold good."

EXCESS PROFITS TAX ORDINANCE (AMENDMENT) ORDINANCE.

Ordinance No. XXVII of 1948, which was issued in October for the purpose of postponing for a further period of three years the refund of Excess Profits Tax Deposits, except where such repayment is in the public interest, is reproduced for purposes of record. In issuing the Ordinance Government claimed that it was in keeping with their anti-inflationary drive.

ORDINANCE NO. XXVII OF 1948.

An Ordinance further to amend the Excess Profits Tax Ordinance, 1943.

Whereas an emergency has arisen which makes it necessary further to amend the Excess Profits Tax Ordinance, 1943 (XVI of 1943) ;

Now, therefore, in exercise of the powers conferred by section 42 of the Government of India Act, 1935 (26 Geo. 5, c. 2), the Governor-General is pleased to make and promulgate the following Ordinance :—

1. *Short title and commencement.*—(1) This Ordinance may be called the Excess Profits Tax Ordinance (Amendment) Ordinance, 1948.

(2) It shall come into force at once.

2. *Amendment of section 2, Ordinance XVI of* 1943.—For sub-section (3) of section 2 of the Excess Profits Tax Ordinance, 1943, the following sub-section shall be substituted, namely :—

" (3) Any further sum, such as is referred to in sub-section (1), deposited in accordance with the provisions of that sub-section, whether before or after the commencement of the Excess Profits Tax Ordinance (Amendment) Ordinance, 1948 (XXVII of 1948), shall not be repaid by the Central Government unless five years have expired from the date on which the deposit was made.

Provided that the Central Government may repay any such deposit before the expiry of the period specified herein if it is satisfied that such repayment is in the public interest."

EXCESS PROFITS TAX (POST-WAR REFUND) RULES 1942.

The undermentioned notification dated 8th October 1948 is reproduced for purposes of record :—

No. 54.—In exercise of the powers conferred by section 10 of the Indian Finance Act, 1942 (XII of 1942), the Central Government is pleased to make the following further amendment to the Excess Profits Tax (Post-war Refund) Rules, 1942, namely :—

" In rule 7 of the said Rules for the words ' three years ' and ' twenty-four months,' occurring in the first paragraph, the words ' six years ' and ' sixty months ' respectively, shall be substituted."

IMPORT AND EXPORT TRADE CONTROLS.

Import Trade Control.

Throughout the year members were kept fully advised by circular and through the monthly Excerpts of developments in regard to Import Trade Control. It can be said that on the whole the import situation improved considerably compared with 1947. For the first half of the year a certain amount of delay was experienced in the receipt of licences, but with the gradual modification and withdrawal of some of the import restrictions, the position improved considerably during the second half.

At the time of going to press, the position is that so far as sterling area countries are concerned, a large number of items have been included in Open General Licence No. XI which came into effect from July. The Government of India were greatly assisted in this by the Sterling Balance Agreement which was concluded between Great Britain and India. Further, it became evident that the fulfilment of orders for capital goods and machinery would take a much longer period than was originally anticipated, with the result that fairly substantial sterling balances were at the disposal of the Government of India. The Central Government accordingly decided that these balances might be utilised to cover the import of certain types of consumer goods as the freer flow of these goods into the country would assist in the fight against inflation.

A further relaxation was brought about on 22nd July 1948 by Government giving general permission to all persons to import under Open General Licence No. XII certain goods from Sweden and Switzerland, provided they conformed to the following conditions :

1. That such goods had been produced or manufactured in any of the aforesaid countries.

2. That such goods were shipped or despatched on or before the 31st January, 1949, from the aforesaid countries.

3. That nothing in this licence shall affect the application to import any goods of any other prohibition or regulation affecting the import thereof in force at the time when such goods are imported.

O.G.L. No. XIII was issued on 22nd September 1948 and by this general permission was given for the import from Japan of certain goods (except cotton piecegoods, other than grey piecegoods) subject to the same conditions mentioned in the preceding paragraph.

The position in regard to imports from the dollar and hard currency areas continues to be difficult.

The Committee held two meetings with the Chief Controller of Imports, on the 15th April and 24th September, and on both occasions took the opportunity of discussing with him matters pertaining to Import Trade Control policy and made several suggestions to him.

Later in this report reference is made to the setting up by the Central Government of an Import Advisory Council and it is hoped that this Council will generally be able to assist Government in the handling and enforcement of Import Trade Control Regulations.

A matter of interest and assistance to importers generally was the decision of the Import Trade Control Department to publish weekly statements of Import Licences issued by the Chief Controller's Office in New Delhi and by the Deputy Chief Controllers at Bombay, Madras and Calcutta. The statements give the following information :

(*a*) Licence number.
(*b*) Name of licensee.
(*c*) Country to which the licence has been issued.
(*d*) Value of licence.
(*e*) Description of the goods.

IMPORT TRADE CONTROL ADVISORY COMMITTEES.

At a joint meeting between representatives of the Bengal Chamber, the Calcutta Import Trade Association and the Wines, Spirit and Beer Association of India, with the Chief Controller

of Imports, held on the 19th February 1948, the idea of Advisory Committees was put forward. The Chief Controller's reaction to this proposal was that Government had already considered the establishment of Panels and the conclusion reached was that, as so many interests were involved, it would be difficult to get advice quickly.

Nevertheless, on the strength of the invitation given to the Bengal Chamber of Commerce to put forward a workable scheme, the Calcutta Import Trade Association made certain proposals which envisaged the setting up of fully representative Advisory Committees in the principal ports of India who would concern themselves with goods mainly handled in those ports. It was not intended that these Committees should concern themselves with the details of administration of the import control system but should be first and foremost the official medium through which industry and commerce would be consulted by New Delhi on the formulation of Government's import policy and on the classification of goods for import control lists. It was felt that it should be left to the Associated Chambers of Commerce of India and the Federation of Indian Chambers of Commerce and Industry to suggest the numbers of business representatives on the Committees and submit nominations to the Central Government.

In July 1948 constituent Chambers were asked for their views regarding the set-up of Advisory Committees on the basis of these proposals. In reply the Committee stated that they agreed to the principle of Advisory Committees, provided they could be made representative without being too unwieldy. It was noted that the proposals put forward by the Calcutta Import Trade Association might not cover every requirement involved and that the scheme, to be comprehensive, might need to embrace other groups of importing interests, as, for instance, the South Indian ports.

By notification No. 1 (14)-ITC/47 dated 27th September 1948, the Ministry of Commerce announced the constitution of an Import Advisory Council under the Chairmanship of the Honourable Minister for Commerce.

The notification reads as follows :

" The Government of India have decided to constitute an Import Advisory Council to advise in matters of general policy relating to Import Control.

2. The composition of the Council will be as follows :—

(i) Honourable Minister for Commerce—Chairman.

(ii) Six members nominated by the Federation of Indian Chambers of Commerce and Industry to consist of two members representing manufacturers, two to represent the Import Trade and two to represent distributional trade.

(iii) Two members nominated by the Associated Chambers of Commerce.

(iv) One member nominated by the All-India Manufacturers' Association.

(v) Non-official members, not exceeding four, nominated by the Government as representatives of interests not otherwise adequately represented on the Council.

(vi) Two members of the Constituent Assembly nominated by Government.

(vii) Secretary, Ministry of Commerce, and four officials representing Ministries of Industry and Supply, Finance, Food and Transport.

3. It is expected to hold meetings of the Council once in three months. When meeting at the seaports, the Council may co-opt additional members representative of consumers and trade interests to attend such meetings."

The Associated Chambers' representatives on the Council are :—

MR. T. J. HUDSON (Bombay)..	..	Messrs. E. Spinner & Co. (Overseas) Ltd.
MR. R. MACGILLIVRAY (Calcutta)	..	Messrs. Roberts McLean & Co., Ltd.

IMPOSITION OF LICENSING FEES ON EXPORT AND IMPORT BUSINESS.

In May 1948 the views of the Chamber were called for by the Ministry of Commerce, Government of India, on the proposal that business houses, dealing in exports/and/or imports to and from foreign countries, in the Indian Dominion should be licensed by the Government of India and that a licensing fee of Rs. 500 per annum should be imposed on those concerned with either import or export trade alone, and double this fee should be charged to houses concerned with both export and import business.

The Committee gave this proposition very careful consideration and they found it difficult to see what justification existed for the imposition of such fees, or what advantage would be likely to accrue as a result of such action.

In the opinion of the Committee the proposed fees would amount to taxation, and they considered that no useful purpose was likely to be served by the imposition of such licensing fees in the cases of business houses genuinely interested in export and/or import business from or into the Dominion of India.

The Chamber was subsequently informed that Government had decided to drop the proposal.

IMPORT OF SOLID WOVEN HAIR BELTING.

In June 1948, at the instance of members interested, the Committee addressed the Ministry of Commerce, Government of India, in regard to Government's action in the apparent prohibition of the import of solid woven hair belting into India.

The main reason for the Government of India withholding licences was understood to be in the interests of indigenous manufacture, although no official notification appeared to have been issued to this effect.

The members concerned were not unsympathetic to indigenous manufacturers' claims for protection, but they submitted that, in the case of hair belting, indigenous manufacturers were not only at present unable to meet the demands of industry, but were dependent on the U.K. for the supply of hair yarn with which to manufacture their belting.

The Chamber was subsequently informed by the Ministry of Commerce that the Government of India after full consideration of all the facts had decided that licences for import of hair belting from the sterling and soft currency areas would be issued during the period July/December 1948 for a limited quantity on the basis of past imports.

EXPORT OF MANGANESE ORE.

Included in the Budget proposals for the year 1948-49 was an export duty of Rs. 20 per ton on manganese ore. This proposal received the careful consideration of the Committee of the Chamber and in view of the importance of manganese ore trade to India, the Committee addressed the Minister of Finance, Government of India, and offered the following comments :—

(1) The Committee considered that the duty was far too high—it increased the cost of the ore by approximately 30 per cent.—and was bound to have serious repercussions on the industry, such as reduction in mining operations which would result in large-scale unemployment. In fact, the Committee feared, if Government insisted on levying the duty, that many mines would assuredly have to stop operations.

(2) A reduction in mining operations would not only deprive Government of the proposed export duty but would also deprive Government of the revenue it obtained from the industry at present. This in turn would result in the loss of valuable dollar exchange so urgently required for the purpose of buying capital goods for the industrialisation of India.

(3) India did not, by any means, hold a monopoly in the manganese ore market and in the past it had been found extremely difficult to compete with other ore-producing countries like Brazil and West Africa. There were already indications that as a result of this duty overseas buyers would turn their attention from India to the other available markets.

(4) Government's decision to impose the duty took the industry completely unawares, with the result that several firms who entered into forward contracts for delivery of ore or who purchased ore on an f.o.r. basis, found that they had to pay the new duty on these outstanding contracts. As the duty was likely to run into large sums, the Committee considered that if Government were to levy this duty, they should at least exempt all contracts which were entered into before 1st March 1948.

The Committee further pointed out that in the interests of the country's export drive and for the purpose of obtaining foreign exchange, particularly from the hard currency countries, that Government should seriously reconsider this matter and if they were of the opinion that an export duty was necessary, a view which was not shared by the Committee, then they submitted that the rate of duty should be considerably reduced, and that contracts entered into before 1st March 1948 should be exempt from the duty.

Subsequently it was announced that the Select Committee had recommended that the flat rate of Rs. 20 per ton should be replaced by a 25 per cent. *ad valorem* duty. Although this amounted to a slight reduction, the Committee considered that the duty was still on the high side and urged upon Government a reduction in the *ad valorem* rate as recommended by the Select Committee.

In accepting the Select Committee's recommendation the Finance Minister stated that if it was found that the 25 per cent. *ad valorem* duty would operate detrimentally in the case of certain low grades of ores, the duty would be further reduced by executive order.

By a notification dated 9th April the *ad valorem* rate of duty was reduced to 15 per cent.

While this duty was reduced to an *ad valorem* rate of 15 per cent., the Committee of the Chamber were advised that railway freight over certain railways had been increased. They were informed that so far as traffic from Nagpur to Bombay was concerned, this amounted to an average of Rs. 8 to Rs. 9 per ton, or an increase of between 50 and 55 per cent.

The Committee, in a letter addressed to the Ministry of Finance, Government of India, protested against the increased railway freight as this would seriously affect the export of manganese ore through the port of Bombay and should these additional railway freights be insisted upon, this would result in the complete cessation of manganese ore export through Bombay, after the completion of the existing contracts for shipments to the United Kingdom.

The manganese ore trade had been a profitable one to the port of Bombay and the Committee stated that unless the Government of India reduced the freight rates to their former level,

there would be a loss of revenue to the port and also a serious loss of revenue to the railways. The Committee added that one manganese concern alone last year contributed not less than forty-three lakhs in freight, covering their all-India transport.

It was difficult to understand why, in addition to the heavy burden of export duty, the Government of India had permitted an increase in railway freight as well, and in this connection the Committee drew Government's attention to the fact that the Hon'ble Minister for Transport in his Budget speech on 16th February last was reported as stating :

" The House would be relieved to know that it is not my intention on this occasion to propose any increase in fares and freights. Probably the only redeeming feature of my Budget is that I do not propose on this occasion to pursue this evil tradition."

The Committee, therefore, urged upon Government the importance of reducing the railway freights on manganese ore to their former level at an early date.

EXPORT DUTY ON COTTON CLOTH.

In May 1948, a member drew the Chamber's attention to the high rate of export duty on cloth.

The principal justification for the export duty on cloth levied originally in October 1947 and altered to its present form in the last budget, was the large difference between the price commanded by cloth in foreign markets and the internal price. It was considered to be reasonable that a substantial portion of this should accrue to the revenues of the producing country ; hence the duty.

In a letter addressed to the Ministry of Commerce, Government of India, the Committee pointed out that conditions had so altered during the last three months that, in their opinion, the justification for this high rate of duty no longer existed.

The high price of cotton had raised internal prices considerably, and advices showed that with the duty at its present rate, exports of cloth from this country would by no means be favourably placed in comparison with those of India's principal competitors. As a matter of fact, the Committee knew of some export business which recently failed to go through mainly due to the incidence of the high export duty. The Committee, therefore, drew Government's urgent attention to the danger of losing export markets, acquired by much study and effort over a longer period of years.

From the recently increased quotas for export to sterling areas, and also from the proposed allotment of quotas to hard currency countries, the Committee believed that the policy of Government was to encourage exports. It, therefore, became all the more necessary if this policy was not to be frustrated, for the Government of India to give this matter their urgent consideration and the Committee strongly recommended that the duty should be withdrawn or at any rate substantially reduced.

In November 1948 the Government of India reduced the export duty from 25 per cent. to 10 per cent. *ad valorem.*

EXPORT OF TEA TO THE MARITIME STATES OF WESTERN INDIA.

Members were advised by this office circular No. 8/3748 of 29th October 1948 of a notification No. 41 dated 18th September 1948, issued by the Government of India, Ministry of Finance (Revenue Division), cancelling their notification No. 24-Customs of 6th November 1943 which restricted the export of tea to the Maritime States of Kathiawar and Cutch to consignments covered by licences issued by the Indian Tea Licensing Committee. The effect of the cancellation is that licences from the Tea Licensing Committee are no longer required and that tea may be freely exported to these territories.

CUSTOMS.

IMPORT DUTY ON COCONUT OIL FROM CEYLON.

In July the attention of the Chamber was drawn to the fact that the Customs authorities in Bombay were charging a standard duty of 42 per cent. *ad valorem* on imported Ceylon coconut oil instead of the preferential duty of 30 per cent. *ad valorem* which was previously levied. The reason for this changed policy was not understood unless it had been brought about by the changed status of Ceylon. Accordingly, the Committee addressed a letter to the Central Board of Revenue (Customs and Excise), pointing out that a further increase in the cost of this material was undesirable at the present time and would merely swell the inflationary price trend. Imported coconut oil was used in the manufacture of soaps and also as an edible oil and for anointing the body. In all cases, therefore, it was used by the mass of the people who would have to bear the extra charge at a time when some relief, rather than an increase in the cost of living, might be expected.

In view of this the Committee urged the Board to give this matter careful consideration and, if the change had been brought about as a result of the changed status of Ceylon, make the necessary amendment which would reduce the duty to its former level.

The Chamber was subsquently informed by the Assistant Collector of Customs, Appraising Department, Bombay, that the Government of India have decided that imports of this commodity from Ceylon would, until further orders, continue to be accorded the same preferential treatment as before the 4th February 1948, on which date Ceylon ceased to be a non-self-governing British Colony.

TARIFF CLASSIFICATION.

ITEM No. 28: "SODA CAUSTIC FLAKE PETAL OR POWDER" AND "SODA CAUSTIC SOLID."

In August 1948 the Director-General, Department of Commercial Intelligence and Statistics, Calcutta, asked for the views of the Chamber on a proposal to abolish the existing Tariff value heads "Soda Caustic Flake Petal or Powder" and "Soda Caustic Solid" under item No. 28 of the Indian Customs Tariff.

The Committee presumed that the proposal was being made because of the increased price of this commodity and that the present fixed tariff valuation did not bear any relation to recent prices of caustic soda. The Committee, in their reply to the Director-General, stated that they considered it was wrong in principle and likely to create a dangerous precedent if Government removed an item from the Tariff Schedule for the above-mentioned reason. In their opinion the proper course appeared to be to increase the Tariff valuation at the appropriate time. It seemed to the Committee from a practical point of view that the present import of caustic soda from unusual sources at very high prices was a temporary phase. This should not, however, be allowed to obstruct Government's normal policy of retaining Tariff values for Heavy Chemicals. The substitution of *ad valorem* values for Tariff values would automatically increase substantially the price of this chemical which was already very high.

INDIAN MERCHANDISE MARKS ACT, 1889.

SEA CUSTOMS ACT, 1878.

Circular No. 197/3911 dated 15th November 1948, in connection with the Marking and Stamping of Piecegoods, Yarn and Cotton Thread, under the Indian Merchandise Marks (Amendment) Act, 1941, which was circulated to members, is reproduced for purposes of record.

The Indian Merchandise Marks Act was amended by the 1941 Amendment Act, which, *inter alia*, substituted a new section 12 for the old section 12, and added a further section 12A. In addition, section 10 of the Merchandise Marks (Amendment) Act made certain amendments to section 18A of the Sea Customs Act, 1878. So far as concerns *piecegoods*, the amendments to the Sea Customs Act had the following effect:

"Section 18. No goods specified in the following clauses shall be brought, whether by land or sea, into the Provinces of India

4 (*f*). piecegoods, such as are ordinarily sold by length or by the piece, which

(*i*) have not conspicuously stamped in English numerals on each piece the length thereof in standard yards or in standard yards and a fraction of such yard according to the real length of the piece, and

(ii) have not been conspicuously marked on each piece with the name of the manufacturer, exporter or wholesale purchaser in India of the piece, and

(iii) have been manufactured beyond the limits of India, or

(iv) have been manufactured in an acceding State in premises which, if situate in a Province, would be a factory as defined in the Factories Act, 1934."

So far as concerns *Cotton yarns and thread*, the amended portion of the Sea Customs Act reads as follows:

"(I) Cotton yarn, such as is ordinarily imported in bundles, if—

(i) the bundle containing such yarn has not been conspicuously marked with the name of the manufacturer, exporter or wholesale purchaser in India of the goods, or

(ii) such bundle has not been conspicuously marked with an indication of the weight and the count of the yarn contained in it, *in accordance with the rules made under Section* 20 *of the Indian Merchandise Marks Act*, 1889, and

(iii) the yarn has been manufactured beyond the limits of India, or

(iv) has been manufactured in an Acceding State in premises, which, if situate in a Province, would be a factory as defined in the Factories Act, 1934.

(J) cotton sewing, darning, crochet or handicraft thread, if—

(i) the units in which the thread is supplied have not been conspicuously marked with the name of the manufacturer, exporter or wholesale purchaser in India of the goods, or

(ii) if each unit has not been conspicuously marked with the length or weight of the thread contained in it and in such other manner as is *required by the rules made under section* 20 *of the Indian Merchandise Marks Act*, 1889, and

(iii) the thread has been manufactured beyond the limits of India, or

(iv) has been manufactured in an Acceding State, in premises, which, if situate in a Province, would be premises not exempted from the operation of sub-section (2) of section 12 of the Indian Merchandise Marks Act, 1889."

By a notification published in the *Gazette of India* dated 26th June, the Government of India announced that the date, on which the Indian Merchandise Marks (Amendment) Act, 1941, was to come into force, was the 1st November 1948.

In the *Gazette of India* dated 23rd October 1948, Government have, as empowered by section 20(1A) of the Merchandise Marks Act, published the Cotton Yarn and Thread (Marking) Rules, 1948, and it is stated that these rules shall come into force on 1st April 1949.

Notwithstanding the fact that the Cotton Yarn and Thread (Marking) Rules do not come into force until 1st April 1949, the inference from Government's notification of last June is that, so far as cotton piecegoods are concerned, the amended portion of the Sea Customs Act quoted above came into force on 1st November.

That portion of the Sea Customs Act referring to cotton yarns and thread also came into force on 1st November, although, in practice, the marking of bundles will not be required to be done in accordance with the rules until 1st April 1949.

The position seems to be that, while Government consider it necessary to promulgate rules as to the manner in which yarns and threads should be marked, no further instructions regarding the marking of cotton piecegoods are required than are given in the amended sub-section 4 (*f*) of the Sea Customs Act.

BOMBAY PORT.

CONGESTION IN THE DOCKS.

During the year instances were brought to the notice of the Chamber which revealed a serious state of congestion in the docks. Some of the reasons which led to this situation were :

(1) the non-availability of a sufficient number of railway wagons for the removal of goods from the docks to up-country destinations ;

(2) the lack of storage facilities in the city which resulted in importers allowing their goods to remain uncleared in the docks over long periods of time ;

(3) insufficient supply of petrol for the use of mobile cranes in the docks and for the use of Clearing Agents.

The effect of the congestion was that ships arriving at the Port were obliged to stay in stream for as long as two or three weeks before a berth was allotted to them. In turn the American steamer agents imposed an emergency surcharge of 25 per cent. on all rates and charges on cargoes to Bombay. The surcharge became effective on all cargoes delivered on dock or alongside on lighter on or after 1st October 1948 and would remain in force until such time as the present congested conditions at Bombay were ameliorated.

As the situation was assuming very serious proportions, Shipping interests in Bombay during August despatched a joint telegram to the Government of India drawing their attention to the prevailing conditions. At the same time, the Chamber addressed the Government of Bombay requesting that the Port Trust and Clearing Agents should be given an additional quota of

petrol so as to facilitate the work of clearing consignments from the docks. As a result of the abovementioned protest and others which were made by commercial and trade organisations, the Government of India deputed Mr. Y. N. Sukhthankar, Secretary to the Ministry of Transport, to examine the situation on the spot and to hold consultations with the authorities concerned with a view to effecting an improvement. The result of these conferences was that additional wagons were made available for the despatch of goods from the docks up-country and an additional quota of petrol was allotted for the use of mobile cranes and for the delivery of goods from the docks by Clearing Agents. These efforts brought about temporary relief only in the meantime as the volume of imports into Bombay showed a distinct tendency to increase as a result of the Government of India modifying its import control policy. Added to this was labour trouble in the docks. With a view to meeting the additional imports that were likely to arrive from November/December onwards, the Docks Manager convened a meeting during September of representatives of Chambers of Commerce, Trades Associations and Shipping Agents to ascertain the probable volume of imports that were likely to be received during the next few months and to discuss measures to expedite the clearance of cargoes from the docks.

At this meeting the Chamber was represented by Mr. C. J. Damala of Rallis India Ltd., and Mr. J. H. Smyth of Greaves Cotton & Co., Ltd. This Committee is likely to continue its efforts in restoring normal conditions in the docks. In the meantime it is evident that normal conditions will not prevail until

(1) more covered accommodation is available for goods in the docks; and

(2) the deepening of Prince's and Victoria Docks is undertaken so that they can be used for comparatively large steamers.

The Port Trust have both these projects in mind.

In addition, the Port Trust have under consideration an amendment of the Port Trust Act to include an additional section which will give the Port Trust the option of auctioning goods which remain uncleared in the docks over a period of two months, even though consignees might have paid their dock dues in full.

BILL TO AMEND THE CONSTITUTIONS OF THE PORT TRUSTS OF THE MAJOR PORTS OF BOMBAY, CALCUTTA AND MADRAS.

In February this year, Mr. R. K. Sidhwa introduced a Bill into the Constituent Assembly for the purpose of reconstituting the Bombay Port Trust Act, 1879.

The Bill proposed that the Board shall consist of 20 elected Trustees and three to be nominated by Government. Included among the Trustees to be elected were two by this Chamber and nine by the Indian Merchants' Chamber. Another clause in the Bill provided that the Chairman and Deputy Chairman should be elected by the members of the Board and that their offices should be honorary.

There was to be a Chief Executive Officer appointed by the Board whose salary shall not be more than Rs. 2,000 per month.

In commenting on the Bill to the Ministry of Transport, the Committee stated that they did not agree with clauses 8 and 11 which referred to the election of Chairman by the Trustees of the Board and the appointment of a Chief Executive Officer respectively, as in their opinion the appointment of the Chairman should continue to rest with the Central Government in accordance with clause 7 of the Act of 1879, and that he should continue to receive such salary as the Central Government shall from time to time determine. No further progress was made with the Bill.

In April a Government-sponsored Bill was introduced into the Constituent Assembly to amend the constitutions of the Port Trusts of the Major Ports. It was explained in the statement of objects and reasons that as there had been a persistent demand for the reconstitution of the Major Port Trust Boards in order to secure an increased representation thereon of Indian commercial interests, it was necessary to introduce a Bill to make provision for such increased representation. In addition, provision was made for increased representation of labour and for the more uniform representation granted to the Provincial Governments concerned, the Defence Services, Customs Authorities, the Mercantile Marine Department, the Railways and the Municipal Corporation.

Representation of the various commercial interests on the Port Trust Boards were not actually specified. Government maintained that in the interests of flexibility, they would arrange for the actual representation by executive orders. The above-mentioned Bill was passed by the Assembly on 31st August.

In October the Chamber received a letter from the Ministry of Transport, Government of India, according to which it was proposed to allocate on the Port Trust Board in Bombay two seats to the Chamber, eight seats to the Indian Merchants' Chamber, one to the Millowners' Association and one to the Maharashtra Chamber of Commerce. In making this allocation, Government decided to introduce a system of panels under which Chambers of Commerce who were granted direct representation were to frame and submit to Government a panel of the

sectional interests which should be represented through them and they would then elect their representatives within the number prescribed, from among the sectional interests contained in the panel for a particular period. In replying to the letter from the Ministry of Transport, the Committee intimated that the interests included in the membership of the Chamber which should be represented on the Board of the Bombay Port Trust were the following :—

(*a*) Cotton ; (*b*) Grains and Seeds ; (*c*) Shipping ; (*d*) Oil ; (*e*) General Exporters ; and (*f*) General Importers.

The Committee pointed out that it would be possible for the Chamber to elect representatives who would be qualified to represent more than one of the sectional interests named above. As, however, the Chamber had only been allotted two representatives, it was particularly requested that Government would leave the Chamber free to decide which of the interests on its panel shall be represented for different periods so that it might ensure that the gentlemen elected were qualified to represent as many as possible of the interests on the panel.

BOMBAY PORT PILFERAGE COMMITTEE.

As a result of a large increase in the number of cases of theft and pilferage of goods in the Bombay Port Trust Docks, the Committee, in January 1948, addressed a letter to the Government of Bombay, Home Department, stressing the urgent necessity of substantially increasing the numbers of the police available for regular duty in the docks areas and the dock gates. In this letter the Committee, while drawing attention to the statements submitted at the monthly meetings of the Port Pilferage Committee, which indicated more intensive vigilance by the police, expressed the view that the numbers available for police work in the Docks were quite inadequate to deal with the very great increase in crime in the docks areas. Unless more police were made available for dock duty the Committee feared that it would be impossible properly to control the present incidence of crime in the Docks.

Later in the year, the Committee addressed the Port Trust in regard to the desirability of removing the hundreds of refugees who had taken up their abode in the Docks. It was pointed out that the presence of refugees in such large numbers was undesirable for several reasons, not the least of which was the question of sanitation and the fact that it was difficult to control their movements in the docks, and the Police authorities were unable to keep a check on pilferage with so many refugees in dock limits. It was not until November that the refugees were finally removed from the docks area.

INTRODUCTION OF A "PASS" SYSTEM FOR ADMISSION INTO THE PORT TRUST DOCKS.

In May 1948 the Bombay Port Trust called for the views of the Chamber in regard to a proposal to introduce the system of "passes" for admission into the Port Trust Docks, with a view to preventing the entry of undesirable persons. In considering the proposal the Committee stated that the Port Pilferage Committee had done useful work in trying to check the high incidence of pilferage in the docks, and, although several measures had been enforced by them to arrest the incidence of theft, they had not effectively been able to check it. It now appeared that the Port Trust, with the concurrence of the Port Pilferage Committee, were considering the introduction of the "pass" system, similar to the one in force during the war years, with a view to bringing about an improvement in the situation. The "pass" system would undoubtedly restrict the number of persons using the dock area, but the Committee doubted whether it would be 100 per cent. successful, as there were so many different classes of people, whose work necessitated their having access to the dock areas. They were of the opinion that the "pass" system in itself would not prevent pilfering, although it might reduce it.

According to an estimate prepared by the Port Trust the total cost, on account of additional staff that would be necessary to enforce the "pass" system, would be in the neighbourhood of Rs. 2½ lakhs per annum, and to this would also have to be added the additional expenditure for the printing of permits and the manufacture of tokens. The Committee considered that the cost of this scheme was too large, in proportion to the result which might be obtained, and they were strongly of the opinion that a larger and more efficient police force would be a cheaper and more effective answer. The Committee suggested that, if instead of spending Rs. 2½ lakhs per annum in introducing the "pass" system, the dock police force were provided with a special "dock allowance," this would give the police force a better appreciation of their responsibilities in the docks and was likely to produce better results.

MOBILE CRANES—BOMBAY PORT.

In July 1948 shipping companies in Bombay drew the Chamber's attention to the delays they were experiencing in discharging steamers due to the reduced number of mobile cranes available. The companies concerned had referred this matter to the Bombay Port Trust, who intimated that there was a shortage of mobile cranes owing to the Government of Bombay having reduced their ration of petrol. The position was serious as

the shortage of mobile cranes not only delayed the discharge of steamers, but also hindered the clearance of imports from the Docks. In order to meet the demand of ships' agents, the Port Trust brought back into commission four steam cranes which had been scrapped. They were, however, not sufficient to cope with the situation.

The Committee felt sure that these facts were not known to Government, and, in a letter addressed to the Home Department, Government of Bombay, requested that, in the interests of the trade of the Port, Government give urgent consideration to restoring the cut in the petrol ration to the Port Trust, so that all available mobile cranes could be used to the fullest extent.

A reply was subsequently received from the Provincial Rationing Authority to the effect that a further issue of 1,000 gallons had been sanctioned per quarter with a view to meeting the Port requirements.

REFRIGERATED BONDED WAREHOUSE.

In January this year the Chamber received a letter from the Manager, Bombay Port Trust Docks, asking for the Chamber's views in regard to the proposal to build a Refrigerated Bonded Warehouse in the port of Bombay. It was suggested by the Docks Manager in his letter that should such a warehouse be made available it would facilitate the following operations:

(1) Shipping companies based in Bombay would be able to hold a stock of fresh goods for their vessels to draw as required.

(2) It would encourage the export of Indian fresh fruits to foreign markets.

(3) It would enable stocks of serums and vaccines to be stored in suitable accommodation instead of running the risk of deterioration in transit sheds.

He stated further that it was the intention that this warehouse should be within the docks Customs area and both inward and outward traffic could be handled expeditiously with the minimum of documentary checks.

The Committee of the Chamber replied that they approved of the project.

SHIPPING.

SALE OF UNCLAIMED GOODS IN THE DOCKS.

Proposed Addition.

The sale of uncleared goods in the Docks is governed by section 64 of the Bombay Port Trust Act, and before the Trustees

can proceed with the sale of unclaimed goods, the following two requirements must be fulfilled :—

(1) Sales can be proceeded with only if the rates payable to the Board are not paid ; and

(2) Sales can be held only after the expiration of two months from the time the goods were placed in the Trustees' custody.

It followed that if an importer continued payment of charges accrued on his goods, he could continue occupying storage space in the Docks for an indefinite period and the Trustees were precluded from disposing of his goods by sale.

It was felt by the Port authorities that the existing provisions of the Port Trust Act, in so far as they affected the disposal of uncleared cargoes, did not assist the Port authorities in relieving the acute state of congestion in the Docks. With a view to applying pressure on importers to clear their goods from the Docks within a specified period, it was proposed that a new section, No. 64A, should be included in the Act, which would provide for the sale of goods for failure to remove them after the issue of notices at the expiration of a month from the date the goods were placed in the custody of the Board.

The proposed new clause read as follows :—

" When delivery of goods is not claimed by the owner at the expiration of one month from the date they are placed in the custody of the Board, the Board shall cause a notice to be served upon him requiring him to remove the goods. Provided that where all rates and charges in respect of such goods have been duly paid such notice shall not be served till the expiration of two months from the said date.

Such notice shall be published and served in the manner prescribed in paras 2 and 3 of section 64.

If such owner is not known, or the notice cannot be served upon him or he does not comply with the requisition in the notice, the Board may sell the goods by public auction. Provided that no such sale shall take place before the expiration of two months from the date such goods were placed in the custody of the Board."

Another factor which added to the congestion of the Port was the sale of goods which were subject to the operation of Price Control Orders. The Port Trust were unable to sell goods on which there were ceiling prices, with the result that large quantities of goods remained uncleared. It was proposed to apply to Government for exemption for the Port Trust from the operation of Price Control Orders so as to permit the sale of all goods without restrictions at the monthly auction sales held by the Trust.

On being asked for their views on the proposed new clause to be included in the Port Trust Act, the Committee informed the Port Trust that, while in present conditions it might be necessary to include a clause of this nature in the Act in the

general interest, the following points should be taken into account before the draft clause was finalised :—

(1) One of the main causes of congestion has been the difficulty of obtaining wagons ex docks for goods imported on behalf of up-country dealers. The enforcement of the new section was likely, therefore, to penalise unfairly *bona fide* importers, if they were unable to obtain wagons at docks within the time limit laid down. The only alternative before such importers under the proposed new clause would be either to clear the goods into their godowns and take them over themselves or allow them to go up for auction in the Docks. Apart from the probable loss involved by the adoption of either alternative, the result would be the saturation of the Bombay market and starvation of the interior. It was, therefore, recommended that cargoes which were either in transit to or clearly port-marked with up-country destinations should be exempt from the proposed new clause.

(2) The third paragraph of the proposed clause reads :—" If such owner is not known or the notice cannot be served . . . the Board may sell the goods by public auction, provided that no such sale should take place before the expiration of two months from the date such goods were placed in the custody of the Board . . ." It seems that the Shipping Company had been neglected in this regard as the question of excess landed cargo was not covered and it would appear to be essential that the Port Trust should advise the Agents of the ship concerned of any unclaimed cargo before it was put up for auction. The Shipping Companies did not receive the outturn report for a considerable time, usually longer than two months, and sometimes five or six months after the date the goods were placed in the custody of the Board and consequently, if the proposals were carried out, the sales would include excess and over-landed cargo of which the Shipping Companies would not have received any notice. It appeared to be esssential that the Port Trust should advise the Agents of the ships concerned of such cargo before it was put up for auction, in which case the period of two months would have to be extended accordingly, as it was presumed that it was not the Port Trust's intention to put up for auction goods which the owners had had no chance of claiming.

(3) The proposed amendment, as it stood, appeared to mean that the Port Trust would appropriate to themselves the proceeds of auction sales even though all their dues might have been met. Such cases, if they arose, would undoubtedly be few and far between, but it did seem that in equity, the proceeds of the sales, less perhaps a penalty, should accrue to the importer. It was strongly recommended that some such modification should be included in the proposed new section, as a complete loss of cargo was even in present circumstances, too great a penalty to impose on an importer.

LIGHT DUES.

Under the proviso to section 10 (2) of the Lighthouse Act, 1927, as applicable before partition, once light dues were paid at a port in British India, no further dues became payable in respect of that ship for a period of thirty days. Despite the changes and restrictions to the Act, introduced by the Adaptation of Existing Pakistan and Indian Laws Orders of 1947, the original application of the above-mentioned proviso remained unchanged, under the provisions of the Standstill Agreement up to 31st March 1948, and since that date apparently in accordance with a further agreement between the two Dominions.

In August 1948, the Karachi Chamber of Commerce enquired of this Chamber whether any information had been received regarding a proposal to restrict the application of the proviso to each Dominion separately, i.e., to abolish as between ports in India and Pakistan the free period of thirty days allowed by the proviso.

The light dues collected prior to partition presumably paid for providing and maintaining lighthouses throughout the coast of India. If both Dominions were now to collect dues and abolish the free period of thirty days, there was likely to be a surplus and there should, therefore, be a case for reduced light dues in both Dominions so that the cost to the shipowner should not be materially increased.

The foregoing was passed on to the Associated Chambers of Commerce of India with a request that the suggestion contained in paragraph 3 be referred to the Government of India. Meantime, the Karachi Chamber of Commerce have taken up the matter with the Government of Pakistan and it has since been ascertained that light dues are being collected separately.

CHARTER PARTY HOLIDAYS.

During the year it was observed that on certain public holidays, dock labour declined to work and as in some instances the days were not declared to be holidays under Charter Parties, charterers were put to inconvenience. In one case the Chamber was asked by the Ministry of Food Office in Bombay to declare Saturday, 7th August, which was a public holiday, to be a holiday under Charter Parties, as no labour was available on that day in the Docks.

The Committee's view was that the holidays to be observed under Charter Parties were notified to the trade by the Chamber at the beginning of each year, and they considered it would be inadvisable to declare additional Charter Party holidays once the list had been decided upon. Moreover, the Committee were of the opinion that merchants and shipowners were entitled to know in advance what days in the year were to be Charter Party holidays, and no changes should be made except in unusual circumstances.

To meet the case in point, the Committee decided to issue a certificate, on request, to Ships' Agents to the effect, that, although Saturday, 7th August, was not a holiday under Charter Parties, no work in the Docks was possible in the absence of labour.

Subsequently the Chamber was asked by the Bombay Port rust as to the procedure followed in the declaration of Charter arty holidays. The Port Trust was informed that these holidays

were fixed by the Chamber at the beginning of each year and in deciding upon which days should be holidays under Charter Parties, the Committee took into consideration :

(1) the importance of the holiday and its likely effect on the labour situation in the dock area ; and

(2) the fact that the days concerned must, in all circumstances, be public holidays under the Negotiable Instruments Act.

While, therefore, all public holidays were not necessarily Charter Party holidays, all Charter Party holidays were public holidays. In other words, the connection between the two classes of holidays existed only to the extent that Charter Party holidays and public holidays were equally holidays under the Negotiable Instruments Act.

The declaration of Charter Party holidays by this Chamber went back to the year 1881 when it was decided that in the interests of the charterer and the captain of the vessel, the Chamber should declare at the beginning of each year a list of holidays to be observed under Charter Parties.

The Chamber's declarations had on no occasion been challenged, and it had now become the established custom of the Port for the Chamber to declare these holidays and, moreover, it was a custom which was recognised by the Trade and the Port Authorities.

CHARTER PARTY HOLIDAYS.

Saturday, 31st January 1948, the day following the assassination of Mahatma Gandhi, and Thursday, 12th February, the day of the immersion of Mahatma Gandhi's ashes, were declared holidays under the Negotiable Instruments Act. Both days were declared by the Port Trust to be *dies-non* and the Committee declared them to be holidays under Charter Parties for the Port of Bombay.

PRESENTATION OF NOTICE OF READINESS.

In December 1948, a member asked for a ruling from the Chamber as to when a vessels' Notice of Readiness must be accepted by consignees, with particular reference to such Charter Parties as make no provision for a Notice of Readiness being tendered during office hours.

The Committee expressed the view that it was customary for a Charter Party to state that Notice of Readiness must be tendered during ordinary office hours, although this was not an invariable rule. They considered that it would be exceedingly difficult for a ship legally to compel a consignee to accept Notice

of Readiness at any time other than during the accepted office hours according to the custom of the Port, i.e., from 10 a.m. to 5 p.m. on Monday to Friday, and 10 a.m. to 1 p.m. on Saturday, in the absence of any specific clause in the Charter Party to that effect.

PAYMENT OF EXPENSES ON SHUT-OUT CARGO.

A member of the Chamber enquired whether it was correct to assume that expenses incurred on shut-out cargo were payable by the steamer both in Bombay and at outports, particularly if there was stipulation in the Shipping Order such as " subject to space available."

After consulting the Shipping Sub-Committee the Committee stated that the responsibility for the payment of expenses incurred on shut-out cargo would depend on the terms of the shipping order and whether the shipping order was, in actual fact, a duly completed contract bearing the requisite revenue stamps, and one which could be enforced in a court of law. In these days a shipowner was often prevented from loading cargo by reasons beyond his control and in such cases the Committee doubted if any claim could be sustained for expenses in respect of shut-out cargo.

It was difficult to say what the actual practice in the coastal trade was but it appeared to those members of the Committee who had a knowledge of the coastal trade that shut-out charges were not usually exacted. Taking the case in question on its merits, however, it appeared that the member was in the right as the cargo was shut out for want of space. If the shipowner refused to meet the claim then it seemed that the only recourse was to sue in a court of law.

WEST COAST MAJOR PORT DEVELOPMENT COMMITTEE.

(*See Report* 1947, *page* 120.)

It was recorded in the Chamber's Report for 1947 that on the question of developing minor ports in the Province, the Committee suggested that the development of Karwar should be given serious consideration, as there was a good trunk road from Karwar to the Ghats.

In the *Gazette of India* dated 17th February 1948, the Ministry of Transport published the following notification pertaining to the constitution of an expert Committee, known as " The West Coast Major Port Development Committee" :

" The Government of India are pleased to constitute an expert committee known as ' *The West Coast Major Port Development Committee* ' to carry out

the following two investigations :—

1. (*a*) Whether a deep-sea port on the stretch of coast covering Kathiawar and Cutch for the accommodation of ships of large size and tonnage at all seasons of the year is required;

(*b*) if so, where it should be sited, having regard to construction and maintenance costs, allied transport developments, possibilities of developing existing ports and the needs of the entire area to be served.

II. (*a*) Whether a deep-sea port between Mormugao and Cochin for the accommodation of ships of large size and tonnage at all seasons of the year is required;

(*b*) if so, where it should be sited, having regard to economy of construction and maintenance of the port and allied transport developments required and having regard to the needs of the entire area; also what measures are necessary for establishing it;

(*c*) What improvements are necessary in communications to the existing ports; also what other measures should be taken for the development or provision of additional facilities in these ports as may be found necessary or desirable.

2. The composition of the Committee will be as follows :—

Mr. Kasturibhai Lalbhai (*Chairman*).

The General Manager, B.B. & C.I. Railway, Bombay, for the former investigation, and the General Manager, M. & S.M. Railway, for the latter.

Mr. S. N. Haji, Scindia Steam Navigation Co., Ltd., Bombay.

Mr. K. Mitter, Docks Manager, Calcutta Port Commissioners, Calcutta.

Mr. J. B. Murray, Chief Engineer, Calcutta Port Commissioners, Calcutta.

Commander D. Shandar, Director of Naval Engineering, Naval Headquarters (I).

Mr. V. V. Bhide, Secretary to the General Manager, B.B. & C.I. Railway, Bombay (*Secretary*).

3. The Committee is requested to submit its recommendations to Government before the end of April, 1948."

Government's views on the Committee's report are to be found in a notification published in the *Gazette of India Extraordinary* dated 7th September, which reads as follows :—

" The investigation into the possibilities of siting a major port on the coast covered by Kathiawar and Cutch was taken up first. The Committee made a careful study of all relevant data, visited all existing ports and likely sites and held discussions with the various interests concerned and as a result submitted a unanimous report which is now published. The Government of India have carefully considered the recommendations made in the report and the steps suggested to implement them, and wish to make the following observations. The references below are to the recommendations of the Committee as summarised in paragraph 25 of the report :—

(1) The Government of India agree that the need for a major port is immediate and imperative.

(2) The Committee have recommended that the major port should be sited at Kandla. The advantages and disadvantages of this site as well as those of other likely sites have been examined in detail, and on an overall appreciation of all relevant factors, the Government of India are satisfied that Kandla is the most suitable port for development having regard to the needs of the entire area to be served. It was realised from the beginning that water supply was an important factor and in the light of further investigations, the Government of India feel that it would be safe to assume that there are resources for an adequate water supply both to the port and port town. The Government of India have accordingly come to the conclusion that a decision should be made in favour of Kandla as the site of the future major port, and that preliminary measures should be put in hand immediately to implement this decision. These measures include, in addition to the freezing of land values which has already been done, the appointment of a resident harbour engineer, the development of both broad and metre-gauge railway connections and a reference to an *ad hoc* committee of engineers for advice on all technical points including such further steps as may be necessary to ensure a sufficient water supply.

(3) The Government of India agree with the recommendation that all the existing ports of Kathiawar should be placed under one Port Commission which should, in their opinion, also include Okha and Verawal, and hope that the State Governments concerned would take early steps to this end.

(4) and (5). In these recommendations, the Committee have expressed the opinion that a concentrated effort must be made to get better dredging results at Bhavnagar and after satisfactory results are obtained, one extra berth should be constructed so that Bhavnagar can to some extent serve the area marked as zone ' B ' in Appendix ' G ' to the report. The Government of India commend this recommendation to the Saurashtra Government for necessary action."

SAILING VESSELS COMMITTEE.

According to a notification which appeared in the *Indian Market Review* dated the 29th May 1948, the Government of India, Ministry of Commerce, appointed a Committee to enquire into the conditions of the working of country craft and suggest measures for its fullest utilisation. The Committee were also required to make recommendations to prevent wastage by competition of country craft and fraudulent jettisoning of cargo. In addition they were asked to take into consideration the possibility of standardising sailing vessels freight rates and improving types of craft and the increased use of mechanical propulsion.

In August, the Sailing Vessels Committee issued a questionnaire in reply to which the Committee stated that very few, if any, of the members of the Chamber were directly concerned in the carriage of goods by country craft and the Chamber as a body was unable to make specific suggestions in regard to the several questions. They added that they had had an apportunity of studying the views of insurance companies within the membership of the Chamber on the questionnaire, with which views they were in agreement.

The Committee considered it important that the Sailing Vessels Committee should widen its membership so as to include country craft owners, brokers and possibly a representative of insurance interests.

According to the Press Note the Committee was composed of the following :

Mr. C. A. Buch of the Bombay Steam Navigation Company (*Chairman.*)

Mr. E. M. Desai of the Commerce Department Baroda State.

Mr. M. C. Virabha Pillai, Member, Constituent Assembly.

Mr. G. Dattaraya of Mangalore (*Member-Secretary.*)

RAILWAYS.

VISIT TO THE CHAMBER OF THE CHIEF COMMISSIONER AND FINANCIAL COMMISSIONER OF RAILWAYS.

On the 20th September 1948 the Committee of the Chamber had a meeting with Mr. K. C. Bakhle, Chief Commissioner, and Mr. I. S. Puri, Financial Commissioner of Railways. During the course of the year the Chamber received numerous complaints from members in regard to the difficulties they were experiencing in obtaining wagons for despatch of goods up-country. The Committee therefore welcomed the opportunity of discussing this and other related questions with the Commissioners. Full particulars of the discussion were given to members by this office circular No. 27M/3521 of 8th October 1948, which is reproduced for purposes of record.

1. The President enquired whether Mr. Bakhle could give them up-to-date information regarding the Railways' share in the work of clearing the congestion in the Bombay Docks. Mr. Bakhle stated at the outset that he would like to make it clear that the Port Trust Railway was not a part of the Indian State Railway system and that its control and management were entirely independent. He stated that additional wagons had been allocated to the Port Trust Railway for clearing the congestion and this had been done at the expense of other centres, e.g., the Railway Authorities were obliged to hold back wagon loads of coal for Ahmedabad.

Turning to the general question of delays in the transport of goods by rail, Mr. Bakhle said that there were two principal factors which were largely responsible for the present state, viz., wagons and locomotive power.

He stated that a great deal had been said about the shortage of wagons. The fact of the matter was that the crux of the problem lay not in the physical shortage of wagons but in their availability. The railways to-day were working to full capacity and had in fact reached saturation point. In support of this statement the following figures were quoted which indicated

an enormous increase in the number of wagons loaded on both the broad and metre-gauges for the current year :—

Allotted for the year :—

	Broad-gauge wagons	*Metre-gauge wagons*
1944-45	2,84,764	1,24,067
1947-48	2,60,553	1,18,475
Up to July 1948 ..	2,86,164	1,38,945

In addition the average load per wagon on the broad-gauge had been increased from 11 to 14 tons and the average mile load per wagon in the case of the broad-gauge had increased from 208 to 237 and in the case of the metre-gauge from 132 to 139.

The Chief Commissioner went on to say that all termini and junctions were badly congested and this in turn hindered the quick turn-round of wagons. Until, therefore, the congested centres were cleared no appreciable improvement could be expected.

Turning to the second factor, Mr. Bakhle said the locomotive power was far from satisfactory. Apart from the shortage of locomotives the available ones were made up of different types and the haulage power varied considerably. The difference in haulage power was important inasmuch as the class of engine used between, say, point A and B might be able to haul fifty fully-loaded wagons. Between point B and C the locomotive power in use might haul only forty loaded wagons. This resulted in the breaking up of the train and the consequent delay in the transport of the remaining ten wagons. In addition, many of the engines were old and because of the variety spare parts were not interchangeable. The meeting was informed that during the war years locomotives which were obtained from America and Canada were shipped to this country without a single spare part with the result that when any engine of this type came in for repair it was necessary to manufacture the part required and this involved a good deal of delay and in fact was an uneconomic proposition. It was mentioned that there were agents in India who were willing to carry spare parts but there were difficulties in the way of obtaining foreign exchange permits and import licences. Mr. Bakhle stated that he was aware of this. He felt certain that provided the agents concerned satisfied the Ministry of Industries and Supplies that the stocks were required for railway purposes only, they would be granted the necessary facilities. He went on to say that the Railway Authorities were preparing a list of spare parts for engines that might be stocked in this country and London and Washington were being asked to supply the necessary parts. As regards new locomotive power, the position was that 150 locomotives intended for India were on their way and would be in use before the end of the year. In addition, 450 locomotives were expected next year and 262 in 1950 with the possibility of a further 100 in that year. Altogether 862 locomotives could be expected by the end of 1950.

The Railway Board had under consideration thequestion of standardisation, but this would necessarily be a gradual process.

2. Mr. Bakhle's attention was next drawn to the practice of the railway authorities in discontinuing without notice the acceptance of goods or passenger despatches to certain stations. Mr. Bakhle said he was fully aware of this and the authorities were obliged to do it for two reasons, viz., that certain centres might become congested and therefore unable to receive further wagon loads, or else, wagons might have to be diverted to other areas because of higher priority needs. In this connection, the Chief Commissioner's attention was drawn to the reimposition of control on textiles which resulted in manufacturers having to despatch their goods to certain

specified destinations under instructions from the Regional Textile Controllers. An example was quoted to him of a mill located in the Southern Mahratta district being directed to despatch its goods to a destination in the East Punjab which, it was subsequently learnt, was closed to booking. The mill was, therefore, obliged to carry the stocks until booking for this centre reopened. This was most unsatisfactory from the manufacturers' point of view and seemed to indicate that there was lack of co-ordination between the Textile Commissioner, his Regional Controllers, the Railway Priority Board and the Railway Authorities themselves. Mr. Bakhle promised to look into this.

3. *Free time for loading and unloading wagons.*—Mr. Bakhle confirmed that the railways had reduced the free time for loading and unloading wagons to six hours' daylight with a view to speeding up the turn-round of wagons. It was pointed out that this reduction in the free time had imposed a hardship on factory owners and others for the reason that in the case of wagons arriving at factory sidings, intimation regarding their arrival was not always promptly received and, secondly, there was the added difficulty of labour. In particular, the position of the cement industry, which was a continuous process industry, was cited. In such cases, it was impossible to complete the loading of a full train within a period of six hours and it was suggested that this should be extended to 24 hours. Mr. Bakhle stated that it might not be possible always to supply a full train load and that delivery in sections might be necessary, in which case the sections should be loaded as and when they were delivered at the factory sidings within the free period. It was pointed out to Mr. Bakhle that the cement industry was a continuous process industry and it would be highly uneconomical to carry out loadings in sections or parts. He, therefore, suggested that the industry should, in the first instance, discuss the matter with the General Manager of the B.B. & C.I. Railway within whose territory the industry was centred. At the same time he said that Government were considering a proposal in regard to the issue of general orders to Factory Inspectors modifying the prior notification by factories of Sunday working. The Chief Commissioner thought this should considerably help the loading and unloading of wagons within the specified time.

4. *Railway priorities.*—Mr. Bakhle informed the meeting that the Railway Priorities organisation did not come under the control of the Railway Board, but operated under the Ministry of Transport. He, therefore, suggested that matters affecting railway priorities should be raised with the Regional Controller of Railway Priorities.

5. *Facilities for goods transport between India and Pakistan.*—Mr. Bakhle's attention was drawn to the difficulties experienced in the transport of goods between the two Dominions. He stated that, up to the end of February 1948, i.e., prior to the setting up of the customs barrier, no restrictions were placed by the Railway Authorities on the transport of goods between the two Dominions. Any difficulties that were experienced were due entirely to the Customs barrier at the border which came into existence from 1st March 1948. In support of this statement, he pointed out that prior to the setting up of the customs barrier in the month of February 1948, 3,677 wagons were loaded for Pakistan and India in return received 2,274 loaded wagons. For the month of July, however, these figures were 98 and 129 respectively.

6. *Priority Expansion Projects.*—A great deal of delay was experienced in the transport of raw materials for the industrial expansion and development of the country. It was reported that the cement industry, for instance, was experiencing considerable difficulty in obtaining the necessary raw materials for the expansion of their factories. Mr. Bakhle reminded the meeting that the quantum of traffic that could be carried by the railways

was limited and was, in fact, reaching saturation point. If particular industries required special consideration for the transport of raw materials and machinery for their expansion projects, priorities could only be granted at the expense of another area. He suggested, however, that, where undue delays were being experienced and where the projects had the support of the Ministry of Industries and Supplies, it would be advisable to ask that Ministry to represent the case to the Ministry of Transport.

7. *Settlement of outstanding claims against railways.*—On the question of claims, the Chief Commissioner informed the meeting that the Claims organisation on the different railways had been expanded and although more claims were being handled to-day than previously, he was of the opinion that there was an improvement in the situation. A member stated that, while there might be some improvement in the actual number of claims that had been settled, the Claims organisation were not keeping up with the total number of claims that were being submitted. In other words, claims were still not being disposed of fast enough. Mr. Bakhle stated that in 1946-47, 2,82,000 claims were lodged with the State Railways whereas for the six months of 1947-48 the number of claims lodged already amounted to 2,64,000. The actual number of claims settled in 1947 were 91,346. A member suggested that if the railways were to adopt the standard form which was previously in existence, it might considerably speed up the disposal of claims. His suggestion was that when a claim was received by the railway, the claimant should be sent a standard form which would give the Claims organisation all the information they required in order to come to an early decision. This would overcome the difficulty of the Claims organisation having to write letters calling for information which at present accounted for a period 6/8 months. The Chief Commissioner was informed that the Local Advisory Committees of the G.I.P. and B.B. & C.I. Railways were considering the re-adoption of the standard form. A reference was then made to the settlement of claims from the insurance point of view. It was stated that, although the railways had approved of a form of survey certificate, it was found that some station masters were not prepared to sign the certificates, particularly if the goods were despatched on railway account. Mr. Bakhle suggested that the best means of dealing with that would be to refer the matter to the General Manager of the railway concerned.

8. *Claims for goods lost during the communal disturbances in August/ September* 1947.—Mr. Bakhle was informed of some of the difficulties business houses and merchants were experiencing in the settlement of claims for goods lost during the disturbances of August/September last year. Where claims had been submitted they had been turned down by the two Dominions on the plea that it was the responsibility of the other Dominion. Mr. Bakhle said that the Government of India was responsible for the settlement of all claims made before the partition of the country. The settlement of claims made after that date was still under consideration by the Government of India and a decision was awaited from the Ministry of Law. He explained that, in dealing with claims for goods lost during the communal disturbances, the Government of India were at a disadvantage, as they could get very little information from the North Western Railway.

9. *Pilferage on railways.*—On the subject of pilferage, Mr. Bakhle stated that this really was a Law and Order problem which was being tackled with the assistance of the Provincial Governments.

10. *Refractory and ceramic industry.*—This industry was experiencing delays in the allotment of wagons, although the commodities had been classified under 1-D. Mr. Bakhle enquired whether the industry in Jubbulpore could load full trains, as this would considerably ease the situation. He was informed that there were very poor facilities at the factory sidings for loading full train-loads. He, therefore, suggested that the company concerned should discuss the matter with the G.I.P. Railway authorities in Bombay.

11. *Movement of dyes.*—The movement of dyes was carried out in "smalls" and one of the difficulties the industry experienced was that the Port Trust Railway had no provision for the booking of "smalls." Mr. Bakhle was told that the wagon requirements of the industry were 10 a week. He promised to look into this matter.

12. *Movement of cotton thread.*—Mr. Bakhle stated that, if cotton thread was moved in wagon-loads, an application should be made to the Regional Controller of Railway Priorities with a view to obtaining a priority. If, however, the movement took place in "smalls," over which there was no priority control, the firms concerned would be obliged to take their chance along with the other merchants who had to move merchandise in smalls.

REGIONAL ADVISORY COMMITTEE FOR RAILWAY PRIORITIES.

With a view to coping with the increasing difficulties involved in the movement of goods by rail, the Ministry of Transport in March 1948 announced the formation of Advisory Committees at Bombay, Madras, Calcutta, Delhi and Gorakhpur who would function under the respective Regional Controllers. Later, the Regional Controller of Railway Priorities in Bombay advised the Chamber of the setting up by the Government of India of Regional Advisory Committees so as to link railways and those concerned with the movement of commodities and, in the light of traffic offering, and sponsored movements, if any, ensure the transport of essential commodities in priority, making the best use of available transport resources. The Bombay Committee consisted of the following :

Regional Controller of Railway Priorities, Convener.

Chief Traffic Manager or Traffic Superintendent, B.B. & C.I. Railway.

Chief Transportion Superintendent or Deputy Chief Transportion Superintendent, G.I.P. Railway.

Regional Food Commissioner, Bombay or his representative.

Textile Commissioner or his representative.

One representative of the Government of Bombay.

Four representatives of business—one each from the Indian Merchants' Chamber, Millowners' Association, Grain Merchants' Association and the Bombay Chamber of Commerce.

One representative of Primary (agricultural) Producers of the area.

It was intended that the Committee should meet daily in the office of the Regional Controller of Railway Priorities. They

have no jurisdiction over sponsored movement, their field of activity covering only unsponsored movements within the priority classes and all commodities not included in the schedule, the movement of which is considered necessary, for reasons of urgent public interest. In this field the Committee will, having regard to capacity taken up by sponsored movement, scrutinise demands for transport from day to day and advise how best they can be met.

The Chamber's representative on this Committee was MR. K. R. GOODWIN of Messrs. Lever Bros. (India) Ltd., up to September and on his resigning MR. C. E. BINGHAM of the same firm was elected in his stead.

By circular No. 275/1881 of 27th May 1948, members were advised of a scheme which made provision for the movement of " smalls " in each of the priority classes, i.e., I, II, III and unclassified traffic, from both Carnac and Wadi Bunders. The object in making this provision was to enable a small quantity of goods to move which otherwise would not move owing to their priority classification, if any, being too low. Wagons under this scheme were not available when restrictions on the movement of traffic were imposed for operating reasons.

Members were subsequently informed by another circular No. 275/2132 of 21st June 1948 of a more ambitious scheme formulated by the Advisory Committee. Under the revised scheme the Advisory Committee, with a view to ensuring a steady, though necessarily limited movement of all classes of goods, allocated a quota of wagons within the loading capacity of each railway for Classes I, II, III and for non-priority traffic.

The new scheme came into force on 24th June 1948 while the scheme for " smalls " traffic mentioned earlier ceased to have effect from that date.

Under the revised scheme applications for priority assistance must be made on Form A (Revised). All applications for which there was a *prima facie* case for assistance came automatically before the Advisory Committee. Members, seeking the assistance of the Chamber's representative on the Advisory Committee, were asked to submit a copy of Form ' A ' with an explanatory letter, if necessary, through the Chamber, the original being sent direct to the Regional Controller of Railway Priorities, Bombay. The following circulars to members in this connection, are reproduced hereunder :—

Circular No. 275/1881, *dated* 27*th May* 1948.

" The Chamber's representative on the above Committee has reported that the question of providing a limited number of wagons each day for movement of ' smalls ' in each of the priority classes, has been under the

consideration of the Committee who have decided to make the following provision within the next few days.

	Carnac Bridge	*Wadi Bunder*
Class I traffic ..	3 wagons per day	4 wagons per day
„ II „ ..	3 „ „ „	4 „ „ „
„ III „ ..	3 „ „ „	4 „ „ „
Unclassified „ ..	3 „ „ „	4 „ „ „

The object in making this provision is to enable a small quantity of goods to move which otherwise would not move owing to their priority classification, if any, being too low. At the end of one month, it is the intention of the Committee to review the situation, and if it is found that the facility has been abused by the splitting of consignments of goods which normally move in wagon loads, consideration will be given to prohibiting the movement of such goods as ' smalls.'

Wagons will not be available when restrictions on the movement of traffic for operating reasons are imposed. They will not, however, be affected by the normal class booking restrictions."

Circular No. 275/2132, *dated* 21*st June* 1948.

Rail Transport—Regional Advisory Committee for Railway Priorities.

I enclose for the careful attention of members copy of a letter dated 19th June which I have received from the Chamber's representative on the abovementioned Committee. It will be noted that the Committee has devised a scheme with a view to ensuring a steady, though necessarily limited movement of all classes of goods by allocating a quota of wagons within the loading capacity of each railway for Classes I, II, III and for non-priority traffic. The scheme for small traffic which was brought to the notice of members by this office circular No. 275/1881 of 27th May will cease to operate from 24th June.

The new system comes into force on 24th June. Members should note that in future all applications for priority assistance must be made on Form A (revised), a specimen of which is attached. The procedure for submission of applications is set out on page 2, paragraph 6 of Mr. Goodwin's letter. In order to assist members I attach the following :

(1) List of quotas on the G. I. P. and B. B. & C. I. Railways for wagon-load traffic,

(2) Copy of the Railway Priority Schedule (effective from 15th March 1948), and

(3) Specimen of Form A, revised.

RAIL TRANSPORT.

The Regional Committee for Railway Priorities has been meeting regularly since the 26th April 1948 and some useful work has been done.

It has been obvious for a long time that the railways are unable to cope with all the traffic offering, due, amongst other things, to the shortage of locomotive power and to a lesser extent of wagons, bottlenecks on the main lines and heavy movements and long hauls of foodstuffs, etc., between points different from those between which the traffic moved before the war and particularly before " Partition." It has nevertheless been realised fully by the Committee that it is in the urgent public interest that some facilities for movement should be given to various classes of goods which may not enjoy a priority high enough to allow them to move within their priority classification, or which may not even find a place in the Priority Schedule.

Generally speaking, only Class I traffic has been moving from Bombay and it will be appreciated that to enable other classes of goods to be moved, priority assistance has had to be given. Applications for assistance have been received in the R.C.R.P.'s office at the rate of approximately 600 per day. There was a period during which high priorities were granted lavishly, with the result that the priority system itself became literally choked and only commodities falling under, or to which had been given priority I (a) or I (b), were moving. This has now been rectified to some extent and to reduce the necessity for applying for priority assistance and to ensure a steady though necessarily limited movement of all classes of goods, a quota of wagons within the loading capacity of each railway has been allocated for Classes I, II, III and for non-priority traffic.

The daily quotas for wagon-load traffic will be :

	B. P. T. Railway. Wagons.		*G. I. P. Wadi Bunder.* Wagons.	*B. B. & C. I. Carnac Bridge.* Wagons.	
Class I	120	(including foodstuffs and other sponsored traffic)	13	8	(excluding sponsored foodstuffs, emergency military and police stores and sponsored medical, etc., emergency stores).
Class II	80	(including 50 wagons for the clearance of dock traffic)	30	20	(excluding sponsored medical stores, hospital equipment, etc.)
Class III	40		13	12	
Unclassified traffic .	10		4	3	
	250		60	43	

Daily quotas for smalls traffic :—

G. I. P. from Wadi Bunder—

25	wagons	for piecegoods,
2	,,	,, yarn,
5	,,	,, petroleum and petroleum products,
8	,,	,, other traffic.
40		

B. B. & C. I. from Carnac Bridge—

7	wagons	for piecegoods,
2	,,	,, yarn,
3	,,	,, petroleum and petroleum products,
20	,,	,, other traffic.
32		

The new system comes into force on the 24th June and from that date, priority control on smalls, both at Wadi Bunder and Carnac Bridge, will be removed and small traffic within the quotas will be cleared in the order of registration irrespective of priority, but subject to any bans or restrictions in force.

It has not yet been found practicable to allocate individual quotas within the class allocations for traffic loading on the B. P. T. Railway, but this may be done later. Individual quotas have, however, been issued for Wadi Bunder and Carnac Bridge wagon load traffic, covering many of the commodities shown in the Priority Schedule. A list of the quotas is attached.

With the introduction of these arrangements, all outstanding priority orders issued from the R.C.R.P.'s office, other than *ad hoc* quotas for programmed movements sanctioned from the 1st June 1948 and subsequently, will be treated as cancelled. The traffic for which *ad hoc* quotas have been sanctioned from the 1st June will be cleared within the limits of the quotas now fixed for any particular class before clearing other traffic in that class, until the programmed movements have been completed.

On the B. P. T. Railway, if sufficient traffic up to the quota fixed, is not offering for any particular class, the balance of the quota will be utilised for clearing traffic in the lower classes in due order of priority. This will also apply at Wadi Bunder and Carnac Bridge except that any balance from the total wagon-load quotas will be utilised for clearing traffic in smalls for goods other than those for which specific quotas in smalls have already been allocated.

If, on any one day, sufficient empties are not available for loading all classes of traffic, the first to be cut out will be non-priority traffic. If any further curtailment is necessary, it will be done in Class III and so on upwards. If there are any shortfalls, they will be made good subsequently as soon as possible, by first accommodating any traffic for which priority orders have been issued by the R.C.R.P. and then by giving increased allotments of wagons (even in excess of the quotas) in order of priority classification. It is intended that any adjustment necessary, due to the short supplies of empties, should be made in wagon-load quotas only and not in the quotas allocated for smalls traffic.

In future, all applications for priority assistance must be made on Form 'A' (Revised), a specimen of which is attached. These forms are not issued by the Ministry of Transport and must be prepared by the applicants themselves. All applications for which there is a *prima facie* case for assistance come automatically before the Advisory Committee and I suggest that members ask me to support their applications only when there are very special circumstances attaching to them. In such cases I suggest that a copy of the Form 'A' (Revised), with an explanatory letter if necessary, should be sent to me through the Chamber. In all cases, the original must be sent direct to the R.C.R.P. for registration.

It is hoped that members of the Chamber will derive some benefit from the new quota system being introduced on the 24th June. It is not claimed that the system is perfect in its present form, nor that it will work smoothly at all times. Operating restrictions are inevitable with the railways in their present condition and it is unlikely that anyone's requirements will be met in full. A start has, however, been made towards obtaining limited movement of all types of commodities without the tedious and often frustrating process of having to obtain priority assistance. The quotas will almost certainly need to be modified later, but for the time being, it is intended to give the system a fair trial in its present form and adjustments can then be made from time to time in the light of experience. For this purpose, the G. I. P. and B. B. & C. I. Railways have been asked to maintain statistics showing the indents, supplies and the actual loading against each priority class.

It is suggested that all members of the Chamber should be advised of the new arrangements as soon as possible in view of the fact that they come into force on the 24th June 1948.

QUOTAS ON G. I. P. AND B. B. & C. I. RAILWAY.

(FOR WAGON-LOAD TRAFFIC).

Class.	Brief heading.	Wadi Bunder.	Carnac Bridge.
I (*a*)	Railway coal	..	..
	Railway material, stores and equipment..	2	1
I (*b*)	Sponsored foodstuffs	Outside quota.	Outside quota.
I (*c*)	Coal and coke from collieries	..	..
I (*d*)	Emergency military or police stores ..	Outside quota.	Outside quota.
I (*e*)	Sponsored medical, etc., emergency stores.	Outside quota.	Outside quota.
I (*f*)	Post and Telegraph materials and stores..	1	1
I (*g*)	Petroleum and all petroleum products ..	5	3
I (*h*)	Plant, equipment, etc., for "Grow More Food" campaign	5	3
	Total, Class I ..	13	8
II (*a*)	Wheat, rice, gram and other grains including flour of same	..	..
	Pulses	..	..
	Ghee and vegetable ghee	2	1
	Edible vegetable oil	..	..
	Fresh vegetables (potatoes, onions, etc.)..	..	..
	Sugar, gur and jagree	1 (for sugar only)	1 (for sugar only)
II (*b*)	Cotton, silk and woollen piecegoods, etc., when sponsored	5	3
II (*c*)	Raw materials and plants and stores for the following industries:		
	Cement	2	1
	Chemicals	1	1
	Collieries	2	..
	Distilleries	..	..
	Fertiliser factories	..	..
	Iron and steel	..	..
	Jute	..	..
	Match factories	1	1
	Non-ferrous and alloy factories ..	..	1
	Paper	1	1
	Rice and flour mills	..	..
	Sugar (excluding sugarcane and sugarcane seeds)	1	1
	Textile ginning and pressing mills ..	2	1
	Vegetable ghee	2	1

Class.	Brief heading.	Wadi Bunder.	Carnac Bridge.
	Finished products of the following Industries :		
	Cement (Cement under RMC)—		
	Class I-(*a*)	..	..
	Chemicals	1	..
	Collieries (coal tar and bye-products).	..	..
	Distilleries	..	..
	Fertiliser factories	..	..
	Iron and steel	..	..
	Jute (ex jute mills)	..	..
	Match factories	..	..
	Non-ferrous and alloy factories ..	1	1
	Paper	..	..
	Rice and flour mills	2	1
	Sugar	..	..
	Textile ginning and pressing mills ..	2	2
	Vegetable ghee and vegetable oil (excluding edible vegetable oil) ..	3	2
II (*d*)	Tinned, canned, bottled, etc., foodstuffs..	..	..
II (*e*) ..	Medical stores, hospital equipment, etc., when sponsored	Outside quota.	Outside quota.
II (*f*)	Livestock (including pigs)	..	..
II (*g*)	Empty containers for food, petroleum and other industrial products	1	1
II (*h*)	Wagons required for direct loading and unloading of ships in the Port area ..	..	..
	Total, Class II ..	30	20
III (*a*)	Sand and stone and timber	..	..
III (*b*)	Raw materials, plants and stores for the following industries :		
	Bobbin factories	..	..
	Bone mills	1	1
	Cigarettes, cigar and tobacco factories.	..	..
	Electrical industries	..	..
	Glass and ceramic factories	..	..
	Mining industries	..	..
	Oil companies	..	..
	Ordnance factories	..	..
	Paint and varnish factories	1	1
	Printing and stationery and newsprint	1	1
	Refractories	..	..
	Rubber factories	..	..
	Soap factories	..	..
	Tanneries and leather boot and shoe factories	..	..
	Starch factories	..	1
	Tea gardens	..	..

Class.	Brief heading.	Wadi Bunder.	Carnac Bridge.
III (*b*)	Finished products of the following industries:		
	Bobbin factories	..	..
	Bone mills	1	1
	Cigarette, cigar and tobacco factories.	..	..
	Electrical industries	..	..
	Glass and ceramic factories	1	1
	Mining industries	..	..
	Oil companies	..	..
	Ordnance factories	..	..
	Paint and varnish factories	1	1
	Printing and stationery and newsprint	1	1
	Refractories	..	..
	Rubber factories	2	1
	Soap factories	1	1
	Tanneries and leather, boot and shoe factories	..	..
	Starch factories	..	..
	Tea gardens	..	..
III (*c*)	Firewood and charcoal	..	..
III (*d*)	Cattle feed and cattle fodder	..	..
III (*e*)	Raw cotton, wool, silk, and hides and skin when transport is sponsored	3	2
	Total, Class III ..	13	12
	Non-priority traffic	4	3
	Total ..	60	43

QUOTAS ON G. I. P. AND B. B. & C. I. RAILWAY.

(FOR SMALLS TRAFFIC).

Wadi Bunder .. 40 (including 25 for piecegoods,
2 for yarn,
5 for petroleum and petroleum products,
8 for other traffic).

Carnac Bridge .. 32 (including 7 for piecegoods,
2 for yarn,
3 for petroleum and petroleum products,
20 for other traffic).

RAILWAY PRIORITY SCHEDULE.

(*Effective from 25th March* 1948.)

PRIORITY CLASS I.

(*a*) Railway coal, material, stores and equipment.

(*b*) Foodstuffs including fish and other perishables (tinned, canned, bottled, processed or packed including all grains and pulses, wheat products and flour of other grains and pulses, ghee, butter, cooking fats and edible

vegetable oils and salt (other than hide salt), sugar, gur and jaggery, when transport is sponsored).

(c) Coal and coke (other than railway) when despatched from collieries.
(d) Military or police stores and equipment required to be moved in an emergency when transport is sponsored.
(e) Stores including medical stores for relief in times of famine or other emergency, when transport is sponsored.
(f) Materials and stores of the Posts and Telegraphs Department.
(g) Petroleum and all petroleum products.
(h) Plant, equipment, seeds (for sowing) and manures including fertilisers for " Grow-More-Food " Campaign.

PRIORITY CLASS II.

(a) Foodstuffs including fish and other perishables (including all grains and pulses, wheat products and flour of other grains and pulses, ghee, butter, cooking fats and edible vegetable oils, salt (other than hide salt), sugar, gur and jaggery).
(b) Cotton, silk and woollen piecegoods, blankets, twist yarn and cotton waste when consigned from mills or by mill agents or when transport is sponsored.
(c) Plant, stores, raw materials for and finished products of the following major industries :—

Cement.
Chemicals.
Collieries.
Distilleries.
Fertiliser factories.
Iron and steel.
Jute.
Match factories.
Non-ferrous and alloy factories.
Paper.
Rice and flour mills.
Sugar.
Textile ginning and pressing mills.
Vegetable ghee (Vanaspati) and vegetable oil.

(d) Tinned, canned, bottled, processed or packed foodstuffs.
(e) Medical stores, hospital equipment and pharmaceutical goods, when transport is sponsored.
(f) Livestock.
(g) Empty containers for food, petroleum and other industrial products.
(h) Wagons required for the direct loading and unloading of ships in the port area.

PRIORITY CLASS III.

(a) Plant, material and stores for maintenance and construction of buildings and roads, and for industrial and agricultural development projects, water-works, irrigation, hydro-electric and sewage disposal schemes, when transport is sponsored.
(b) Plant, stores and raw materials for and finished products of the following important industries :—

Bobbin factories.
Bone mills.
Cigarettes—cigar and tobacco factories.
Electrical industries and electricity supply undertakings.
Glass and ceramic factories.
Mining industry.
Oil companies.
Ordnance factories.
Paint and varnish factories.
Printing, stationery and newsprint.
Refractory brick factories.
Rubber factories.
Soap factories.
Starch factories.
Tanneries and leather, boot and shoe factories.
Tea gardens.

(c) Firewood and charcoal.
(d) Cattle food and cattle fodder.
(e) Raw cotton, wool, silk and hides and skins, when transport is sponsored.

MINISTRY OF TRANSPORT.

FORM "A" (REVISED).

Application for Priority Assistance for Movement of Traffic.

(To be completed by the applicant.)

Note.—The Ministry of Transport supplies specimen copies only of this form to be copied by applicant.

A.

1. (*a*) Commodity .. ..
   (*b*) Weight (tons/maunds) .. ..
   (*c*) Estimated number of wagons required. .....
   (*d*) Whether any special type of wagons required .. ..
   (*e*) Station from .. ..
   (State name of railway, civil district and Province)
   (*f*) Station to
   (State name of railway, civil district and Province) .. ..
   (*g*) Junction or junctions by which the consignment is to be routed .. ..
   (*h*) Name of consignor .. ..
   (*i*) Full address .. ..
   .....
   (*j*) Name of consignee .. ..
   (*k*) Full address .. ..
   .....
2. (*a*) Does this movement require any export/import permit or licence .. ..
   (*b*) If the answer to (*a*) is in affirmative quote particulars of permit/licence number, date and designation of the issuing authority .. ..
3. When were the goods offered/registered for despatch in the normal way to the Railway Authorities of the booking station ? .. ..
4. Reasons why movement did not take place (enclose copy of reply received from Railway authorities) .. ..
5. Period within which it is desired that the movement be completed .. ..
6. Reasons why the movement is :—
   (*a*) Essential .. ..
   and
   (*b*) Urgent .. ..

Date..... Name.....

Address.....

.....

I hereby declare that the goods detailed above are ready for despatch and are at present lying at.....
(name of the place and godown where stored).

Signature of Consignor/Consignee.....

(Circular No. 275/2252 dated 28th June 1948.)

Rail Transport.

Movement of Traffic from Bombay Port Trust Railway.

In this office circular No. 275/2132 of 21st June members were given particulars of the scheme which was devised by the Regional Advisory Committee for Railway Priorities with a view to ensuring a steady, though necessary limited movement of all classes of goods by allocating a quota of wagons within the loading capacity of each railway for Classes I, II, III and for non-priority traffic.

I have now received intimation from the Chamber's representative on this Committee that the quotas shown in that circular for traffic from the B. P. T. Railway, have been revised and that furthermore individual quotas have been allocated for various commodities. Details of these quotas are as follows :

Movement of Traffic from B. P. T. Railway.

Class.	Brief Heading.	Quota.
I (*a*)	Railway coal	..
	Railway material, stores and equipment	5
I (*b*)	Sponsored foodstuffs	100
I (*c*)	Coal and coke from collieries	..
I (*d*)	Emergency military or police stores	Outside quota.
I (*e*)	Sponsored medical, etc., emergency stores	Do.
I (*f*)	Post and Telegraph materials and stores	..
I (*g*)	Petroleum and all petroleum products	30
I (*h*)	Plant, equipment, etc., for "Grow-More-Food" campaign	15
	Total, Class I ..	150
II (*a*)	Wheat, rice, gram and other grains including flour of same	..
	Pulses	..
	Ghee and vegetable ghee	..
	Edible vegetable oil	..
	Fresh vegetables (potatoes, onions, etc.)	..
	Sugar, gur and jagree	..
II (*b*)	Cotton, silk and woollen piecegoods, etc., when sponsored	..
II (*c*)	Raw materials and plants and stores for the following Industries	5
	Cement, chemicals, collieries, distilleries, fertiliser factories, iron and steel, jute, match factories, non-ferrous and alloy factories, paper, rice and flour mills, sugar (excluding sugarcane and sugarcane seeds), textile ginning and pressing mills, vegetable ghee (Vanaspati).	

Class.	Brief Heading.	Quota.
II (c)	Finished products of the following Industries . . Cement (cement under R.M.C.—Class I-a), chemicals, collieries (coal tar and by-products), distilleries, fertiliser factories, iron and steel, jute (ex-jute mills), match factories, non-ferrous and alloy factories, paper, rice and flour mills, sugar, textile ginning and pressing mills, vegetable ghee and vegetable oil (excluding edible vegetable oil).	7
II (d)	Tinned, canned, bottled, etc., foodstuffs	..
II (e)	Medical stores, hospital equipment, etc., when sponsored	..
II (f)	Livestock (including pigs)	..
II (g)	Empty containers for food, petroleum and other industrial products	..
II (h)	Wagons required for direct loading and unloading of ships in the Port area	50
	Total, Class II ..	62
III (a)	Sand and stone and timber, for development schemes when transport is sponsored	..
III (b)	Raw materials, plants and stores for the following industries .. .. Bobbin factories, bone mills, cigarettes, cigar and tobacco factories, electrical industries, glass and ceramic factories, mining industries, oil companies, ordnance factories, paint and varnish factories, printing and stationery and newsprint, refractories, rubber factories, soap factories, starch factories, tanneries and leather, boot and shoe factories, tea garden.	..
III (c)	Finished products of the following Industries :	
	Bobbin factories	..
	Bone mills	..
	Cigarette, cigar and tobacco factories	..
	Electrical industries	..
	Glass and ceramic factories	1
	Mining industries	..
	Oil companies	..
	Ordnance factories	..
	Paint and varnish factories	..
	Printing, stationery and newsprint	..
	Refractories	..
	Rubber factories	2
	Soap factories	3
	Starch factories	..
	Tanneries and leather boot and shoe factories ..	..
	Tea gardens	..
III (c)	Firewood and charcoal	..
III (d)	Cattle feed and cattle fodder	..
III (e)	Raw cotton, wool, silk and hides and skin when transport is sponsored	5
	Total, Class III ..	11
	Non-priority traffic	12
	Grand Total ..	235

RAILWAYS TRANSPORT OF GOODS ACT, 1948.

(*See Report* 1947, *page* 117.)

Members were advised by this office circular No. 275A/2071 of 14th June, of an Act to extend by another year, i.e., up to 26th March 1949, Government's powers to regulate the system of priority in regard to the movement of rail traffic. The Schedule has been amended and is reproduced for purposes of record.

SCHEDULE.

(*See section* 3)

Serial No.	Description of goods.	Conditions for special transport facilities or preference.
1	Cattle food and cattle fodder	*Nil.*
2	Coal and coke (other than railway) when despatched from collieries	*Nil.*
3	Cotton, silk and woollen piecegoods, blankets, twist yarn and cotton waste when consigned from mills or by mill agents	*Nil.*
4	Empty containers for food, petroleum and other industrial products	*Nil.*
5	Firewood and charcoal	*Nil.*
6	Foodstuffs including fish and other perishables (tinned, canned, bottled, processed or packed including all grains and pulses, wheat products and flour of other grains and pulses, ghee, butter, cooking fats and edible vegetable oils, salt (other than hide salt), sugar, gur and jaggery)	*Nil.*
7	Livestock	*Nil.*
8	Materials and stores of the Posts and Telegraphs Department	*Nil.*
9	Medical stores, hospital equipment and pharmaceutical goods	*Nil.*
10	Military or police stores and equipment	When transport is sponsored.
11	Petroleum and all petroleum products	When consigned by oil companies and importers of petroleum products.
12	Plant, materials and stores for maintenance and construction of buildings and roads, and for industrial and agricultural development projects, including the "Grow-More-Food" campaign, waterworks, irrigation, hydro-electric and sewage disposal schemes	*Nil.*

Serial No.	Description of goods.	Conditions for special transport facilities or preference.
13	Plant, stores, raw materials for and finished products of the following major industries .. Cement, chemicals, collieries, distilleries, fertiliser factories, iron and steel, jute, match factories, non-ferrous and alloy factories, paper, rice and flour mills, sugar, textile ginning and pressing mills, vegetable ghee (Vanaspati) and vegetable oil.	*Nil.*
14	Plant, stores and raw materials for and finished products of the following important industries : Bobbin factories, bone mills, cigarette, cigar and tobacco factories, electrical industries and electricity supply undertakings, glass and ceramic factories, mining industry, oil companies, ordnance factories, paint and varnish factories, printing, stationery and newsprint, refractory, brick factories, rubber factories, soap factories, starch factories, tanneries and leather, boot and shoe factories, tea gardens.	*Nil.*
15	Railway coal, material, stores and equipment ..	*Nil.*
16	Raw cotton, wool and silk	*Nil.*
17	Stores including medical stores for relief in times of famine or other emergency	When transport is sponsored.
18	Wagons required for the direct loading and unloading of ships in the port area	*Nil.*

CLAIMS AGAINST RAILWAY ADMINISTRATIONS.

(*See Report* 1944, *page* 136.)

Although representations were made to the Railway Board concerning the delays in the settlement of claims against the Railway Administration and although the Associated Chambers had been assured that this important matter would receive the continued and serious attention of the Railway Board there was no improvement in the situation ; in fact, since 15th August of last year, the position had steadily deteriorated.

At the request of the Bombay Underwriters' Association the Committee addressed the Associated Chambers in May of this year pointing out that while they realised that railway administrations were disorganised owing to the troubles in recent months and the transfer of staff to and from Pakistan, in addition to which there had been a substantial increase in the number of claims lodged, they nevertheless felt that the time had come for

the Associated Chambers to take this matter up strongly with the Railway Board. In the meantime the Committee had been informed that the Chief Commissioner and Financial Commissioner of Railways were to visit Bombay and they proposed to raise this subject in personal discussion with the representatives of the Railway Board.

The subject was discussed with the Chief Commissioner of Railways when he met the Committee of the Chamber on 20th September 1948. Particulars of the discussion will be found under the heading " Visit to the Chamber of the Chief Commissioner and Financial Commissioner of Railways."

RAILWAYS—ASSIMILATION OF I AND II CLASS WAITING ROOMS.

From 1st January 1949 the Ministry of Railways have decided to reduce the classes of passenger accommodation on trains of the Indian Government Railways from 4 to 3, namely :

(i) Upper Class ;
(ii) Inter Class ;
(iii) Ordinary.

The Chamber was invited to express an opinion as to whether waiting room accommodation should be made available for inter class passengers wherever practicable and to state which of the alternatives mentioned under items II and III below would be preferred.

I. Where there is a single waiting room at a station, it should be reserved only for the use of upper class passengers (general, i.e., for ladies and gents).

II. Where there are two waiting rooms at a station, two alternatives offer for consideration, viz :

A. (i) Upper class waiting room (general).
(ii) Inter class waiting room (general).

or

B. (i) Upper class waiting room (gents).
(ii) Upper class waiting room (ladies).

III. Where three waiting rooms are provided at a station two alternatives can similarly be considered, viz.

A. (i) Upper class waiting room (gents).
(ii) Upper class waiting room (ladies).
(iii) Inter class waiting room (general).

or

B. (i) Upper class waiting room (general).
(ii) Inter class waiting room (general).
(iii) Ladies waiting room for upper and inter class.

The Committee considered that under the revised grading of railway travel it would be necessary to provide waiting room accommodation for inter class passengers, as this class of travel would undoubtedly attract a far larger number of passengers than hitherto. As regards the proposals mentioned above the Committee favoured alternatives IIB and IIIA.

VESTIBULED COACHING STOCK.

B.B. & C.I. Railway Advisory Committee.

In May 1948, the Chamber was asked for its views on a proposal, which was before the Railway Advisory Committee, to vestibule railway rolling stock on all classes.

The subject was considered by the Railway Authorities as far back as 1930, when the application was limited to upper class only. The consensus of opinion at that time was against the proposal to introduce this type of coaching stock.

The Committee were of the opinion that it would be unwise to introduce an innovation of this kind at the present time, unless it was certain that vestibuled coaching stock was an improvement, and the only way of finding this out would be by experimenting on a small scale. They were further of the opinion that the corridor would be used by third class passengers as travelling space and would be blocked by them, with the result that nobody would be able to get through.

GENERAL.

PROVINCIALISM.

In the course of the year considerable concern throughout all India was expressed at the growing extent of Provincialism, and the text of a letter, which was submitted to the Prime Minister of the Government of India by the Associated Chambers on this subject, is reproduced for purposes of record :—

"A remarkable and commendable feature of recent years has been the way in which all Provincial Governments have strengthened and supported the Central Government in all matters concerning labour policy. The advantages to Governments, to labour and to industry are evident; and whilst complete liberty is within the hands of Provincial Governments to legislate in such matters, this has not been practised. In this there has been a realisation that from the point of view of industrial development as in the maintenance of a contented labour force, much the best plan is to leave it to the Central Government to establish and prescribe a form for All India. Provincial Governments still have in the labour field an important and vital part to play and nothing in the foregoing restricts them in this; for the application and the detailed working of the various labour legislation schemes have been left to the initiative, judgment and ability of the local Governments. Their knowledge of the particular requirements and condi-

tions of labour within their own provinces enables them to progress in ways most acceptable to the industries found within their borders. Agreement in principle and policy is established through the media of frequent all India Conferences either of the Ministers and officials concerned, or in association at such conferences of representatives of labour and of employing interests drawn from all over India. Tribute is paid to the wisdom of such a procedure; and the advantages and benefits of it are plain. In the sphere of social legislation, India as a whole has made greater and more orderly progress than most other countries of similar size and on lines which met every legitimate provincial aspiration without the disturbing dislocating factors, with varying and unpredictable effects on the provinces and the industries situated therein, which would otherwise have been the case.

2. Entirely the opposite procedure has been of recent months observed in provincial legislation or policies concerning the closely allied and interdependent sphere of industrialisation. If allowed to develop, the effects of this upon labour programmes, upon provincial revenues, upon India's industrial progress will be most adverse; and the seeds of the ultimate disintegration of India will have been sown. Federation will become meaningless and purposeless; for each provincial pursuance of particular policies and legislation in vital matters affecting the well being and prosperity of the nation as a whole, will result in nothing but chaos and confusion. A recent specific instance of what can be involved in this is the contemplated legislation by the Bihar Government in their Bill for the abolition of zamindaries. Under the Bill—which is now before H.E. the Governor of Bihar—the Provincial Government can acquire all rights in mines and minerals whether discovered or undiscovered, whether being worked or not. In the cases of mines in operation, the Provincial Government can propose terms and conditions to the Company working the mine—on these terms and conditions, the Bill is silent—and if not acceptable to the lessee, Government can evict him and place some one else in possession of the mine.

3. To appreciate the far-reaching dangerous implications of this measure, it is to be remembered that Bihar has considerable mineral wealth on the supply and utilisation of which India is industrially dependent to a considerable degree. Almost 60 per cent. of India's coal production is in Bihar; and practically all the coking coal—the basis of the iron and steel industry—is there found. Mica for India's as also the world's usage is won from that province. There are also considerable quantities of (1) limestone—essential for the steel industry and cement factories; (2) refractories—one of the most vital elements in heavy industry, in great and growing demand; (3) bauxite —for the aluminium industry; (4) copper ore—mined and used by the Indian Copper Corporation, the only one of its kind in India; (5) kyanite—available for export as well as home consumption; and (6) iron ore which, with the coking coal of Bihar, constitutes the life blood of India's great iron and steel industry. Anything which threatens adversely the sources of supply of these vital minerals spells the disruption of India's entire industrial economy; and as almost all industry depends on coal for its existence, the legislative developments in Bihar (which if allowed mean the cessation of any continued mine workings) cannot be regarded by industry and commerce with other than the gravest concern. The interests most intimately concerned in this matter have already urged upon Central Government the need for immediate action and have, it is known, suggested the removal from the provincial legislative list of items relating to the regulation of mines, mineral development, land and the compulsory acquisition of such, in so far as these affect minerals and mineral rights, as also taxes on minerals. The purpose of this representation is but to point to one particularly bad example of how adversely the country's economic position can be threatened, how orderly progress can be destroyed, and how attempts made by the Central Government to restore confidence and to inspire enterprise and initiative in intensive development of India's resources, can be completely

negatived by narrow short-sighted provincial action, Bihar legislation, left as it is without any intervention by the Central Government, means that the recently issued statement on industrial policy must be re-written; for it is worthless in the face of such provincial legislation.

4. Another instance of the growth of provincialism is the Bill introduced by the Madras Government to amend the Motor Vehicles Act, 1939, under which road transport in that Province will be nationalised; and as far as the information available to the Chambers goes, in a manner contrary to the principles of the existing Central Government legislation on this subject and to the principles in the Road Transport Corporations Act. That Act, you will recall, was the first of preliminaries in an attempt properly to promote a co-ordinated system of road transport. Characterised by the Madras interests as being of an expropriatory character and without provisions for the grant of reasonable compensation, the Madras legislation thus violates the principles contained in the Draft Constitution of India. Then again the Premier of Assam publicly said on the 9th May that it was his Government's intention to nationalise *all* industries in that Province. Reference was made by him to six types of industry, cement, power alcohol, sugar, paper, textiles and plywood; and his expression of his Government's determination to proceed in these matters was clearly at variance with all that Central Government have said or done. Naturally unless some attempt is made to curb these expressions of provincial "faiths," it is clear that more and more instances of the foregoing will be evidenced and that industry and commercial enterprise will be more and more hesitant in new developments or in doing other than "marking time" within existing plant and machinery.

5. Central Government's policy has been clearly expressed in all of the foregoing matters and it is not as if instances were given of what might be termed border line cases in which some divergence in provincial procedure or policy would be expected because of an absence of one—a centrally declared policy. If effective action to avoid the like of this cannot be immediately taken—and the Chambers would urge this as best in all the circumstances—then some form of Government "legislative truce" might very well be reached. The activities of the Provincial Governments in these matters are the entire negation of attempts in the unification of India so that it will as a nation make that progress we all most earnestly desire to see. They hamper and impede all orderly progress not only within the provinces actually taking or framing legislative measures such as before mentioned but in other parts of India as well; and they set examples which will be competitively followed if not outmatched by other Governments.

6. The Chambers have contented themselves by a factual record of what is the present position. It needs little in imagination to visualise the unlimited scope that exists in other fields—the field of taxation is the most evident—for as equally undesirable and harmful provincial competition. If no effective action is now taken, it would not come as a surprise were those fields yet untouched to be also the subject in the near future of provincial legislation, all of which must have but the one inevitable result, the disintegration of India.

7. The Chambers would, therefore, urge that the points here represented should have Government's immediate attention in the devising of some effective action in the prevention and growth of a most unhealthy and dangerous form of provincialism.

FEDERAL FINANCE—ENQUIRY COMMITTEE.

By Resolution No. F. 60-IB/48 of 22nd October, the Government of India appointed a Committee of experts to enquire

into the finances of Indian States and Unions of States with the following terms of reference :—

To examine and report upon :

(1) the present structure of Public Finance in Indian States and Unions of States ;

(2) the desirability and feasibility of integrating Federal Finance in Indian States and Unions of States with that of the rest of India, to the end that a uniform system of Federal Finance may be established throughout the Dominion of India ;

(3) whether, and if so, the extent to which, the process of so integrating Federal Finance in the Indian States and Unions with that of the rest of India should be gradual and the manner in which it should be brought about ; and the machinery required for this purpose, especially as regards the legislative groundwork and the administrative organisation necessary for the imposition, assessment and collection of Federal Taxes ;

(4) the results of such a policy of integrating Federal Finance upon the finances of Indian States and Unions and the consequential financial adjustments and relations which should subsist between the Governments of the Indian States and Unions on the one hand and the Government of India on the other ;

(5) the measures which the Committee may consider necessary and/or desirable for revising, in the light of present-day conditions and standards, and having regard to the requirements of modern administration, the structure of Provincial Finance and, in particular, the levels and sources of Provincial Revenues in Indian States and Unions of States ;

(6) any other consequential and/or cognate matters which the Committee may consider as arising out of the foregoing terms of reference.

The members of the Committee are :—

Sir V. T. Krishnamachari, K.C.S.I., K.C.I.E., Dewan, Jaipur State (*Chairman*).

Shri S. K. Patil, Member of the Constituent Assembly of India (*Member*).

Mr. N. Dandekar, I.C.S. (*Member*).

In bringing this resolution to the notice of members, (see Chamber's circular No. 381/3858 of 9th November), the Chamber pointed out that in the past there had been many cases in which firms and companies trading in India and in the Indian States had been placed in a difficult position owing to inconsistencies in policies or in the interpretation of tax regulations by the Government of India on the one hand and State Governments on the other. One of the duties of the Committee of Enquiry would be to examine the existing taxation structures in States and States' Unions with a view to formulating a uniform system, and it was hoped that in the result anomalies and difficulties which had arisen in the past would be removed.

In order to assist the Committee in drawing up a representation for submission to the Enquiry Committee through the Associated Chambers, members were asked to give as full in-

formation as possible of any existing anomalies or difficulties concerned with the interpretation of regulations between India and the States of which they have knowledge, and any suggestions they might have to offer to remedy matters.

The only specific points raised by members of this Chamber concerned taxation in Baroda State and Cochin. As regards the former, it was pointed out that there was some correspondence at the beginning of 1947 and the Associated Chambers were referred to a circular dated 2nd September issued by the Department of Electricity, Baroda. Members of this Chamber had reported that they were still having considerable trouble with Baroda State as a result of the officials of that State deducting income-tax from amounts due to suppliers outside the State, despite the fact that according to clause 3 of the circular, tax was deductible only in respect of supplies made as a result of the drawing up of an agreement for sale in Baroda, and not supplies made as a result of an open order.

As regards Cochin there appeared to have been a conflict in the interpretation of the law relating to taxation as between the States and India. Cochin State had been seeking to assess the profit not only on business done within the State but also on all goods passing through the State from Cochin Port into India. They had also sought to assess the profit on freight earned by tankers carrying oil into Cochin.

Following on the constitutional changes then in progress resulting in the integration of States and accession of States to the Dominion of India, it would no longer be within the power of States and groups of States to collect taxes on income. This, it was considered, should be done only by the Central Government.

PROFIT-SHARING IN INDUSTRY AND FAIR REMUNERATION TO CAPITAL.

In January 1948 the Associated Chambers of Commerce of India called for the views of constituent Chambers on a letter received from the Upper India Chamber of Commerce in regard to the scheme of profit-sharing which was stated to be under the consideration of the Government of India, for application to all industries in the country. It was pointed out by the Upper India Chamber of Commerce that apart from the discouragement to private enterprise such a step would cause, there was no mention of another aspect to the question, namely, that in any scheme for the sharing of profits there must be some arrangements for the sharing of losses when these occurred.

The question of profit-sharing came up at the Industries Conference held in Delhi in December 1947 when the outcome of the deliberations which then took place was expressed in the form of a resolution which recommended, among other things, that the system of remuneration of capital as well as labour must be so devised that while in the interests of consumers and primary producers excessive profits should be prevented by suitable measures of taxation and otherwise, both management and labour should share the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in industry and reasonable reserves for the maintenance and expansion of an undertaking.

In their reply to the Associated Chambers the Committee pointed out that even in countries which are more industrially advanced than India, such schemes had only worked satisfactorily in small and specialised factories where labour could be trained to take a personal interest in the company's working. The Committee were opposed to any profit-sharing schemes in major industries in the present stage of industrial development in India. Further, they did not think it possible in this country to adopt any such scheme which carried with it an obligation on labour to share any losses when these occurred.

By a notification No. I(3)-43(36)/48 of 25th May 1948, the Government of India announced its intention to constitute a Central Advisory Council, to advise Government on the principles to be followed for the determination of :

(*a*) fair wages to labour ;

(*b*) fair return on capital employed in the industry ;

(*c*) reasonable reserves for the maintenance and expansion of the undertaking, and

(*d*) labour's share of the surplus profits, calculated on a sliding scale normally varying with production after provision has been made for (*b*) and (*c*) above.

In view of the complex nature of (*b*), (*c*) and (*d*), the Central Government decided to appoint a Committee of experts, consisting of the following members :

(1) Sir Biren Mookerji,
(2) Mr. A. D. Shroff,
(3) Mr. S. P. Jain,
(4) Prof. Radha Kamal Mukherjee,
(5) Mr. Asoka Mehta,
(6) Mr. Khandubhai K. Desai,
(7) Mr. V. S. Karnik,

and not more than two representatives each of the Ministry of Industry and Supply, Ministry of Labour, Ministry of Finance and Ministry of Commerce.

This Committee were requested to pay particular attention to the following points :

(1) How should " capital employed in the industry " be determined ?

(2) How should depreciation and taxation be treated for the purpose of arriving at the gross profit to be allocated between capital, labour and reserves ?

(3) What are the purposes for which provision should be made by way of reserves and what should be the extent of such reserves ?

(4) What should be a fair return on capital employed in the industry ? Should it be at a uniform rate for all industries or should the rate vary from industry to industry and, if so, on what principles ? If the fair return is not reached in some years, should provision be made for making it up later, and if so, how ?

Note.—The fair return should be such as not to discourage adequate investment.

(5) Should the fair return on capital employed in an industry vary with the level of taxation if the industry is—

(*a*) a joint stock company ; or

(*b*) a private company ?

(6) How should labour's share of the surplus profits (after making provision for fair return on capital and reasonable reserves) be determined on a sliding scale normally varying with production ?

(7) Should surplus profits be shared every year or should a part be held in reserve for equalisation or any other purpose such as provision against past or future losses ?

(8) How should labour's share of the distributable profits, as determined under (6) and (7) above, be distributed that is, whether by each undertaking or by each industry or by industry as a whole in each region or for all industrial undertakings in the country or by a combination of these methods ?

(9) How should Government undertakings be treated for (1) to (8) above ?

(10) What should be the nature of the machinery for the determination of fair return, etc., on the principles finally accepted by Government ?

(11) If, in the light of the considerations mentioned above, profit sharing appears impracticable, what, if any, are the alternatives available to give effect to the principles underlying Government's declared policy ?

The subject was given careful consideration by the Committee who in consultation with a Special Sub-Committee consisting of Mr. V. F. Noel Paton (Killick Industries Ltd.), Mr. H. G. Everitt (W. H. Brady & Co., Ltd.) and Mr. F. Cole (Messrs. A. F. Ferguson & Co.) submitted the following comments to the Associated Chambers :

(1) How should " capital employed in the industry " be determined ?

Various efforts have been made to determine this factor: for purposes of E.P.T., for calculation of B.P.T., for determining a "fair return" to the Electric Supply Industry under the Electricity (Supply) Act, now before the Legislature, and lastly in terms of the recent Air-India International flotation.

This very fact indicates the many complications which arise when any attempt is made to produce a "yard stick" of this nature.

The Committee take the view that a uniform system should not be made applicable to determine the "capital employed" in an industry, by virtue of the fact that conditions vary so greatly. This implies that a Commission or Commissions will have to be employed and special powers obtained so that every industry, old and new, should be examined and "capital employed" determined. This is as much as to say that the practicability of such an arrangement is in doubt. The question of revaluation must be considered before determining the formula.

The B.P.T. basis with suitable amendments would appear to offer the best chances of a fair determination.

(2) How should depreciation and taxation be treated for the purpose of arriving at the gross profit to be allocated between capital, labour and reserves ?

This question again must vary as between industry and industry and as between specific units of such industries. It is presumed that "gross profit" is a mistake for "net profit." Both taxation and depreciation in this context are expenses.

(3) What are the purposes for which provision should be made by way of reserves and what would be the extent of such reserves ?

The same considerations apply, namely, that the proper quantum of provision for reserves must vary between unit and unit and from area to area. Mention must be made of the necessity for reserves over and above ordinary depreciation which are necessary when the replacement cost of plant exceeds the original first cost.

(4) What should be a fair return on capital employed in the industry ? Should it be a uniform rate for all industries or should the rate vary from industry to industry and, if so, on what principles ? If the fair return is not reached in some years, should provision be made for making it up later, and, if so, how ?

Here too, conditions mentioned in (2) above apply with equal force with the added complication that the fair return should be related not only to the equity of the investment, but must vary with the risk involved (of mining ventures) and with the value of money. In the latter respect it must move upwards or downwards with, though not necessarily in strict relation to, say, the Reserve Bank Rate. Another complication is that new industries would require a higher return than old established industries having regard to the element of risk involved in such undertakings.

The Committee, therefore, consider that a fair return would have to be variable, and as to the latter half of the question, as the labourer properly requires immediate payment for services rendered, any attempt to provide out of current earnings for failure to earn in previous years would be resented by labour, just as it would be spend-thrift to make disbursements to labour in anticipation of a consequent short-fall being made up later.

(5) Should the fair return on capital employed in an industry vary with the level of taxation if the industry is: (*a*) a joint stock company, or (*b*) a private company ?

The Committee's views on this question are the same as those expressed in (2) above. In addition they take the view that taxation in this context is an expense. They, therefore, oppose any suggestion to differentiate between, joint stock companies or private companies in this regard.

(6) How should labour's share of the surplus profits (after making provision for fair return on capital and reasonable reserves) be determined on a sliding scale normally varying with production ?

This question is by no means clear. Surplus profits, or, indeed any profits, do not necessarily synchronise with production. In other words factors with which labour is not concerned might prevent maximum possible production resulting in any divisible profits. Conversely profits may accrue although production has been limited. There are industries which are planned for a specific production, no more and no less.

The Committee do not, therefore, consider that a share of profits is a proper reward to labour for production. The direct incentive to production is a straight production bonus and not a share of profits.

(7) Should surplus profits be shared every year or should a part be held in reserve for equalisation of any other purpose such as provision against past or future losses ?

If surplus profits are to be shared they must be shared yearly. A proportion of an undertaking's labour force must inevitably pass on, in more senses than one, as time goes by, and any reservation would be resented by those who pass on or their dependants. As for provision for past or future losses see (8) below.

(8) How should labour's share of the distributable profits, as determined under (6) and (7) above, be distributed, that is, whether by each undertaking or by each industry as a whole in each region or for all industrial undertakings in the country or by a combination of these methods ?

If any share of profits is to be distributed it must, the Committee think, be distributed by individual units. Any attempt to group or regionalise units would tend to remove the very incentive to individual effort, which is one of the fundamental aims of the present proposals.

The only practicable method would seem to be to distribute labour's share in each undertaking in proportion to their actual earnings during the year—an indirect incentive to production.

(9) How should Government undertakings be treated for (1) to (8) above ?

The Committee consider that Government undertakings should not only be treated on exactly the same basis as any other industry, but that Government should be asked to illustrate how they themselves propose to share profits with labour in practice.

(10) What should be the nature of the machinery for the determination of fair return, etc., on the principles finally accepted by Government ?

The Committee are of the opinion that it is for the Administration to devise (and presumably pay for) the necessary machinery. It is clear that such machinery will have to be most elaborate—so elaborate indeed as to be a sufficient objection to any further consideration of this proposal.

(11) If, in the light of the considerations mentioned above, profit-sharing appears impracticable, what, if any, are the alternatives available to give effect to the principles underlying Government's declared policy ?

It will be gathered from the above that the Committee regard the principle of profit-sharing as impracticable and further maintain that it is undesirable in the interests of labour itself.

Experience in industry shows that profits are not inevitable. It is equitable to contend that if labour is to share in profits, it should also share any losses.

As losses are by no means necessarily due to the fault of labour any sharing of losses would quite properly be resented by labour.

Labour's concern is the quantum of effort which it contributes towards production.

If, on the other hand, Government are determined to fix how labour's share of any surplus profits should be determined, there is another factor for consideration.

This factor is that any share of the profit payable to labour must not represent any considerable proportion of labour's annual earnings. If it does, then, absence of profits or loss, would injure labour most unjustifiably and, indeed, this is the factor which has greatly influenced labour elsewhere in the world in their opposition to any profit-sharing schemes.

If this is accepted, then, the quantum of profit payable to labour can only be in the form of " pocket money " and in Government's own words it must also be " related to production." (One of the complications which would involve the machinery outlined in (8) would be the calculation of increased production which may arise from the provision of capital to improve or extend plant. It is difficult to say how in many industries *per capita* production arising out of individual efforts alone can be measured).

The above are some of the issues arising from a consideration of the 11 points, which brings into light that any narrow or rigid interpretation given to the various expressions used by Government may jeopardise the industrial and financial structure of the country.

The Committee appointed by the Government of India to consider the question of profit-sharing issued its report in October. After studying that report, the Committee of the Chamber submitted the following general observations to the Associated Chambers :—

" The Committee regarded the principle of ' profit-sharing ' as commonly understood, as being not only impracticable in itself but undesirable in the interests of labour, and none of the considerations set out in the report of the Enquiry Committee caused them to alter that view. On the contrary, after a study of the report, they were more than ever convinced of the impracticability of the scheme.

The Committee were in full agreement with the statement made in paragraph 9 of the report that determination of a suitable method of relating labour's share of profits to production was in many respects the crux of the problem. After discussing various aspects of the matter, the Enquiry Committee admitted that as a practical proposition it was impossible to devise a system by which labour's share of profits could be determined on a sliding scale varying with production and they recorded their conclusion that such share could only be determined ' in an arbitrary way.' That being so, there could be no simpler arbitrary way than the method now in vogue of paying bonuses to labour from the gross profits of each financial year. These bonuses were nothing less than a share of the profits of industry, apart from wages.

The Enquiry Committee pointed out in paragraph 12 that in the last analysis all discussions on profit-sharing must be viewed from three important angles, namely, as an incentive to production, as a method of securing industrial peace and as a step in the participation of labour in management. The last consideration they did not deal with as it was outside the terms of reference. They had already conceded that a profit-sharing system on a sliding scale varying with production could not be devised, and the only recommendation advanced in favour of profit-sharing as a means of securing industrial peace was that it would be an important although an indirect means of facilitating increased production. The Committee agreed that profit-sharing on a unit basis might perhaps achieve the results mentioned, but it was impossible to impose upon one industry or industry as a whole any scheme for distribution to labour of surplus profits which would be equitable in operation. The Enquiry Committee themselves were aware of the difficulty of this and they pointed out in paragraph 23 that the fundamental object of profit-sharing could only be attained if the worker had a direct interest in the fortunes of the concern in which he worked. If any scheme of profit-sharing was imposed upon the various units in an industry, it would inevitably result in discontent, as workers in a prosperous well-managed concern would receive more than those in a concern which was not prosperous. The remedy proposed for this, was that, as an experiment, a scheme of profit-sharing on an industry-cum-locality basis should be tried out in the textile industry in Bombay, Ahmedabad and Sholapur. In the opinion of the Committee of the Chamber such a scheme was objectionable, as it would not achieve the desired object of improving relations between employers and their workers, and in all probability, it would not be acceptable to labour.

The Committee's view was that the whole scheme was fundamentally unsound and that the only satisfactory basis on which any scheme of profit-sharing could be devised was a voluntary basis by the individual units in industry."

FAIR WAGES.

The Central Advisory Council at its meeting held at Lucknow in November 1948 decided to appoint a Committee to consider and report on the question of the principles of " fair wages " and the statutory machinery for their enforcement. The Committee met at Delhi on the 6th of December 1948 and decided to issue a questionnaire to all concerned with a view to eliciting opinion. In December 1948, a Special Sub-Committee of the Chamber consisting of the VICE-PRESIDENT, MESSRS. V. F. NOEL-PATON, R. W. WESTBROOK, and R. J. WHEELER was appointed to consider the questionnaire received from the Ministry of Labour, New Delhi, whose report the Committee approved and addressed the Secretary, Fair Wages Committee, in the following terms :

" The Committee of this Chamber have carefully considered the questionnaire sent with your letter No. CFW(1) of the 8th December 1948.

Before giving their answers to the various questions, they wish to refer to the three terms ' minimum wage,' ' living wage ' and ' fair wage ' which are mentioned in the first question. In considering the matter they are treating the minimum wage as the lowest grade in any wage scale, the living wage as something better and the fair wage as being higher than either the minimum or the living wage. In their answers to the questions they indicate

what factors they consider should be taken into consideration in determining a minimum wage and a living wage. The term 'fair wage' is a vague one and not susceptible of precise definition: what in one view would be a 'fair wage' in a given set of circumstances might equally well in another view be not a 'fair wage.' Moreover, a given monthly wage might be a fair wage in one industry or one unit of an industry and not in another; and it could equally well be argued that in some cases the 'minimum wage' could be rightly described as fair as could the 'living wage' in other cases. In order to assess a fair wage, various considerations which cannot be arbitrarily applied, e.g., prevailing rates in other industries, productivity of labour and capacity of the industry to pay, would have to be taken into account. My Committee are of the opinion that in an inquiry of this nature it is sufficient to seek to define and determine a minimum wage and a living wage, but that it is neither necessary nor practicable to attempt to do this in respect of a fair wage. On that basis I now give you their answers to the questions so far as, in their opinion, any specific answers can be given:—

A. PRINCIPLES OF WAGE FIXATION.

Question 1.—What, in your view, is a fair wage and what are the principles underlying it? How is it related to (*a*) a 'minimum' wage and (*b*) a 'living' wage?

Answer.—For the reasons mentioned above my Committee are of opinion that a fair wage cannot be related to a minimum wage or a living wage.

Question 2.—What considerations would you take into account for fixing the minimum required for subsistence?

Answer.—It is assumed that the use of the word 'minimum' in this question refers not to a wage but the minimum monthly expenditure required for subsistence. On that assumption they consider the items which should be taken into account are:—

Food.
Clothing.
Fuel and light.
Rent.
Transportation to and from the place of work,

which requirements should be covered by the basic wage (whether that be a minimum or a living wage) plus an appropriate cost of living allowance.

Question 3.—(*a*) What considerations would you take into account for fixing the 'living wage'?

(*b*) Should the living wage include, besides the minimum required for subsistence,

(1) the minimum required for keeping the worker and his family in a reasonable state of health and efficiency;

(2) the minimum required for ensuring a degree of comfort?

Answer.—(*a*) In fixing a living wage consideration should be given to the items mentioned in the answer to question 2, and in addition such matters as education and medical supplies and a reasonable margin for amenities and recreation. There must also be considered in connection with these latter items any welfare measures provided free of charge to the worker by the employer and/or the State.

(*b*) (1) Yes.

(*b*) (2) Yes, if indeed it is possible to assess 'a degree of comfort.'

Question 4.—In determining the fair wage for the least skilled worker, what degree of importance would you attach to the following or any other relevant considerations :—

(i) the minimum wage standard ;
(ii) the living wage standard ;
(iii) the capacity of the industry to pay ;
(iv) the productivity of labour ;
(v) the prevailing rates of wages in the same or similar occupation in the same or neighbouring localities ;
(vi) the existing level of national income ;
(vii) the place of the industry in the national economic structure ;
(viii) the economic position and prospects of the industry ; and
(ix) the effect on the community in general and on the industry in particular.

Answer.—As is stated above, my Committee do not consider that any attempt should be made to determine a fair wage for the reason that it is neither necessary nor practicable. If, nevertheless, their view on this point is not accepted and attempts are made to determine a fair wage, they wish to say that, in their opinion, of the factors mentioned in this question the following would have to be taken into account :—

No. (i) together with Nos. (iii) and (vi), No. (iv) then Nos. (v) and (ix) in that order.

Question 5.—Is it feasible to assign a 'weight' to each of the above factors ? If so, what should be the weight and on what considerations would you arrive at it ?

Answer.—It is not possible to assign a 'weight' to the factors in Question 4, but those which my Committee consider should be taken into account and their relative order of importance are given in the answer to that question.

Question 6.—What method of enquiry would you suggest for arriving at the living wage ?

Answer.—The most practicable course seems to be to employ the method adopted by Government for assessing the cost of living index figure.

Question 7.—While determining the fair wage, would you make any allowance for enabling the worker to meet certain calls on his income, such as those connected with sickness, marriages, funerals, etc.?

Answer.—If possible, a certain percentage should be fixed over and above the minimum wage to cover the expenses here mentioned, but it is to be remembered that expenditure in connection with sickness will now be largely covered by the State.

Question 8.—(*a*) Should the fair wage be determined on the needs of the individual or of himself and his family ?

Answer.—(*a*) The needs of an individual and the normal family, namely the individual himself, his wife and two children should be allowed for.

Question 8.—(*b*) Should it also be determined on the number of wage earners in the family ?

Answer.—(*b*) No.

Question 9.—What should be taken as the size and composition of the standard family for determining a fair wage ?

Answer.—Husband, wife and two children.

Question 10.—How would you determine the 'capacity of an industry to pay' fair wages ?

Answer.—This cannot be arbitrarily determined. It has been pointed out by previous Enquiry Committees that 'capacity to pay' is extremely difficult to interpret and to apply in any precise way. When an attempt to do this was made by the Economic Commission on the Queensland Basic Wage, very great statistical difficulties were met with and the Commission was unable to solve the problem satisfactorily. It would be necessary, e.g., to ascertain in respect of each unit in the industry if it were efficiently run, and if its products could be profitably sold at a competitive price. In any event, there should be no relation between profits and basic wages, if only for the reason that it is at present the practice to give workers a share of profits in the form of a bonus. On the other hand, a time may shortly come when profits will have to be used not for payment of bonuses, as they will have to be cut down in order to reduce prices—a course which, before long, results in an increase in the real value of wages.

Question 11.—To measure the 'productivity of labour' what are your suggestions for the fixation of norms in the various industries and processes ?

Answer.—As was pointed out by the Government Committee on profit-sharing, it is not practicable to fix norms by which the productivity of labour can be related to profits.

B. Wage Differentials.

Question 12.—What principles do you think should be adopted in working out differentials in the wages of different categories of employees in a unit of an industry.

Answer.—This is a highly technical matter. Differentials can only be arrived at by negotiations by such bodies as Trade Boards in the light of data made available by a scientific system of 'job evaluation.'

Question 13.—Do you think that there should be any differentiation between the wages to be paid to men and women for the same or similar type of work ?

Answer.—It is assumed that women are only employed on jobs for which they are suited and in that event there should not be any differentiation between the wages to be paid to men and women for the same or similar type of work, provided equal production is given.

Question 14.—Are you in favour of fixing a fair wage for all categories of employees or only some ; if the latter, for what categories ?

Answer.—It will be clear from what has already been stated that my Committee's answer to this question, so far as it concerns a 'fair wage,' is in the negative ; but they agree it is possible to fix a minimum wage for all categories of employees, if differentials are properly worked out (see answer to Question 12).

Question 15.—Should fair wages be determined, in the first instance, for all industries or only some ? If the latter, for which industries ?

Answer.—No, as it is quite impracticable. It can only be done satisfactorily by each individual industry building up on its own minimum wage.

Question 16.—Should the fair wage be determined on—

(i) a national basis,

(ii) a regional basis,

(iii) an industry-wise basis, or

(iv) an industry-cum-regional basis ?

Answer.—On an industry-cum-regional basis.

C. WAGE ADJUSTMENTS.

Question 17.—What year would you select as the base year for fixing fair wages ? Since the Government of India have compiled cost of living index numbers for important centres in the country on base 1944, would you recommend that year as the base ?

Answer.—In the circumstances, the year 1944 may be treated as the basic year.

Question 18.—What method would you suggest for making adjustments in the fair wage so determined for subsequent changes in the price level ?

Answer.—The present method used for determining cost of living index figures.

Question 19.—Should there be a progressive improvement in the fair wage determined and, if so, what should be the principles governing it ?

Answer.—This cannot be arbitrarily determined. Economic considerations are paramount and productivity of labour and prosperity of the industry must be governing factors.

Question 20.—What would you suggest in regard to the extent of compensation by way of dearness allowance in the case of workers (*a*) in the lower categories and (*b*) in the higher categories ?

Answer.—Full allowance for both categories (*a*) and (*b*) must be made for any increase in the cost of the essential commodities on which the cost of living index figure is based. In addition, a further percentage allowance should be fixed for higher categories.

D. MACHINERY FOR FIXING AND REGULATING FAIR WAGES.

Question 21.—(*a*) Please state what would be the most suitable statutory machinery for fixing and regulating fair wages in different industries according to the principles laid down for the determination of fair wages.

(*b*) In many countries such machinery consists of :—

(i) Arbitration Courts ;

(ii) a General Board for a number of industries ;

(iii) a Trade Board for each industry.

(*c*) Which of the above types of machinery do you consider suitable for adoption in this country ?

Answer.—A Trade Board for each industry.

Question 22.—(*a*) If you are in favour of the establishment of a separate Trade Board for each industry, are you also in favour of the establishment of an all-India Authority for co-ordinating the activities of Trade Boards ?

(*b*) If you are, what should be the functions of the all-India Authority?

Answer.—(*a*) Yes.

(*b*) The functions of an all-India Authority should be to direct, control and endeavour to standardise the decisions of the various Trade Boards in the Provinces.

Question 23.—If you recommend the setting up of Trade Boards, should their decisions be final or subject to appeal to the all-India Authority ?

Answer.—Yes, unless of course a decision of a Trade Board has been referred to and confirmed by an all-India Authority before it is published.

Question 24.—Should the Government concerned have the power to appeal to the all-India Authority from the decisions of the Trade Boards ?

Answer.—No, unless the Government are concerned as employers in any question which is the subject of consideration by the Trade Boards.

Question 25.—If you are in favour of providing for appeals to the all-India Authority, in what cases and subject to what conditions should such appeals lie ?

Answer.—In all cases and the right to appeal should lie with representatives of employers and representatives of the workers if, in any case, it is considered that the decisions of Trade Boards are unjust or are at variance with decisions affecting industries in other parts of the country.

Question 26.—Should the all-India Authority have the power *suo motu* to revise the decisions of the Trade Boards ?

Answer.—Yes.

Question 27.—Please state what should be the composition of the various statutory bodies you suggest.

Answer.—Trade Boards for industries or Provincial Trade Boards should be presided over by an impartial Chairman with knowledge of legal matters who should be assisted by a panel on which employers and employees would be equally represented.

Question 28.—If you favour the setting up of machinery for the fixation of fair wages, would you exclude questions relating to wages and allowances from the jurisdiction of industrial tribunals and other such statutory bodies ?

Answer.—Yes, undoubtedly."

RIGHTS AND LIABILITIES OF SELLERS UNDER CONTRACTS WITH THE GOVERNMENT OF PAKISTAN.

During the year, complaints were received from members with regard to non-receipt of payment from Government for supplies made to Pakistan. The question was considered in Calcutta and legal advice was taken with regard to the rights and liabilities of sellers under contracts with the Government of Pakistan, against which deliveries were made in whole or in part before 15th August 1947.

Members were advised by office circular No. 338/158 of 14th January 1948 of solicitors' advice, which had been received by the Indian Engineering Association, Calcutta, and of that Association's recommendation to its members, which were as follows :—

(1) Are sellers bound to supply stores to the Pakistan Government under contracts made before 15th August with the Governor-General in Council ?

Yes, under Article 8 of the Indian Independence (Rights, Property and Liabilities) Order 1947, all contracts made with the Governor-General in Council shall be deemed to have been made with the Dominion of Pakistan if the contracts are for the purposes of that Dominion.

(2) Can sellers insist upon satisfactory arrangements for payment before stores are supplied to Pakistan ?

Sellers cannot unilaterally alter the terms of the contracts and must accept payment in the manner provided, unless the Government concerned agrees to vary the terms of payment. From the strictly legal point of view, therefore, if sellers hold up deliveries due it will be a breach of contract, and will render them liable to the penalties for such breach contained in the contract.

Exceptions to this general rule are :

(*a*) Where the contract definitely provides for payments against part deliveries.

(*b*) Where the terms of the contract were not definitely agreed between the sellers and the Government of India before 15th August.

As regards (*a*), any failure by Government to make payments would contravene the terms of contract and sellers would be entitled to regard the contract as cancelled. As regards (*b*), a declaration by sellers that they would supply goods on their own conditions unless they heard to the contrary from Government by a certain date would not be legally binding on Government.

Although the foregoing represented the strict legal position, the solicitors suggested that the Association should recommend to its members, in their own interests, to refuse to continue deliveries until satisfactory arrangements were made for payment in Indian currency. The Association had addressed the Government of Pakistan putting forward officially the proposal that credits should be opened with banks in India and in the meantime had recommended its members to refuse further deliveries to Pakistan in cases where payment for past deliveries had not been received.

It was open to sellers to make provision in future contracts for satisfactory terms of payment, and the Association had recommended its members to insist on payment being made in Indian rupees by irrevocable credits opened with banks in India under which banks could pay against proofs of despatch of the goods and inspection certificates, if required.

Subsequently the Indian Engineering Association, Calcutta, received a reply from the Ministry of Commerce, Government of Pakistan, to the effect that, after careful consideration the Government of Pakistan had decided to make payment for stores supplied on or after the 15th August 1947, to consignees (both Defence and Civil) in Pakistan against contracts entered into with the late Government of India prior to 15th August 1947. Contractors and suppliers who were members of the Association were asked to present bills for such supplies to the Accountant-General, Pakistan Revenues, Karachi, for payment, or the Controller of Military Accounts concerned. As regards future supplies against orders placed by the Government of Pakistan, it was considered unnecessary for the Government to open irrevocable credits with selected banks in India as suggested by the Association. For this purpose the usual procedure for making payments for supply of stores, as was in force in undivided India, would be followed by that Government also. It was requested that the members of the Association might be assured of prompt payment by the Pakistan Government in all cases where payments were legitimately due. Where, in some cases, long delays did occur, the Government would be obliged if the Association brought those cases to their notice for suitable action being taken.

Subsequently, the Government of India issued a Press Note dated 22nd May, setting out the procedure for the collection, check and payment of all bills and claims against Government Departments, prior to 14th August 1947. A copy of the Press Note is reproduced for purposes of record :

The Government of India have been considering for some time the question of arranging for the speedy payment of outstanding claims in respect of supplies and services rendered to the undivided Government of India up to and before the date of partition, says a Press *communique*.

At the time of partition there was an arrangement between the two Dominions that each would pay the claims arising in its area, subject to subsequent adjustment; but a large number of claims, particularly those relating to the areas now included in Pakistan, are still outstanding due partly to disturbances in the Punjab and large-scale movement of populations and partly to discontinuance of payments by the Pakistan Government from about the middle of last December owing to a difference of opinion between the two Governments about the liability for these payments.

In order to avoid hardships to suppliers and contractors, the Government of India, after careful consideration, have decided that they should undertake the initial liability for these payments and recover Pakistan's share through debt settlement. They have accordingly decided to prescribe the following procedure for the collection, check and payment of these claims.

(*a*) All bills and claims in respect of supplies and services rendered to the late Government of India, up to and inclusive of August 14, 1947, whether in areas now in India or in Pakistan, should be submitted to the Government of India by July 1, 1948, at the latest.

(*b*) Bills or claims should be sent to the officers mentioned below :

Claims relating to civil departments—Accountant-General, Food Relief and Supply, Akbar Road, New Delhi.

Defence Services—Military Accountant-General, Hutments, Block " F " New Delhi.

N. W. Railway—Administrative Officer, Accounts, E. P. Railway, Khyber Pass, Delhi.

B. & A. Railway—Chief Accounts Officer, E.I.R., Fairlie, Place Calcutta.

Posts and Telegraphs—Deputy Accountant-General, Posts and Telegraphs, Old Secretariat, Delhi.

These officers will tabulate the claims and arrange, where necessary, to have them checked before payment by the appropriate authorities in Pakistan.

(*c*) All uncashed cheques issued by the authorities mentioned in para (*b*) above should also be sent to the same officer as other claims.

(*d*) If any bills or claims have already been submitted to the Pakistan Government or the authorities in Pakistan, a duplicate copy should be sent with particulars of the authority to whom the bill or claim was preferred and the date on which it was sent.

(*e*) After the bills have been duly checked, the Government of India will arrange to make payment direct to claimants residing in India. For claimants residing in Pakistan payment will be made either by demand draft or through the Pakistan Government.

The Government of India have no doubt that the public will realise that the checking and payment of outstanding claims is bound to take some time. They propose to expedite settlement of these claims as much as possible and the public can co-operate in achieving this by sending in their bills and claims as quickly and completely as possible.

TERMS OF PAYMENT AGAINST SUPPLIES MADE TO THE DEPARTMENT OF INDUSTRIES AND SUPPLIES.

In May 1948 a member drew the attention of the Chamber to the Terms of Payment against supplies made to the Department of Industries and Supplies. The current terms of payment laid down by Government and applied by the Industries and Supplies Department and other Government and semi-Government Departments to contracts for supply are " 90 per cent. payment was made on proof of despatch after inspection, and the balance of 10 per cent. on receipt of stores by the consignee in good condition."

It was considered that such terms, under present conditions, were not fair to suppliers and were not in the best interests of Government. When these terms were introduced, at least 20 years ago, conditions were entirely different. Contracts, almost without exception, were for delivery free on rail at destination, and thus the 10 per cent. retention, although high, was proper. Even in the exceptional cases of contracts for delivery on rail at station of despatch, the retention, although not equitable,

could be accepted. The time for delivery from point of despatch to destination was always reasonable, risk of loss and damage was low, and the 10 per cent. promptly paid. The position now was quite different, to the point that practically all Government Departments now placed indents for delivery on rail at point of despatch. Yet, the Industries and Supplies Department included the same terms of payment, which were obviously out with the scope of such an indent, and it was understood that even the Director-General, Industries and Supplies Department, had no power to vary the terms.

On a contract for delivery on rail at port of despatch, the supplier's responsibility ceased on his obtaining a receipt from the railways. Any attempt to hold the supplier responsible for receipt at destination in good condition was *ultra vires*.

There was another aspect in the case of contracts placed by the Industries and Supplies Department. In these cases, the material became the property of the purchaser immediately on passing "Inspection." At present, the supplier was subjected to considerable and unpredictable delay in arranging despatch by rail. It was demonstrably unfair that a supplier should have to finance a considerable and unknown period between receipt of an order and despatch, and at the same time be called on to await full payment for the further considerable and unpredictable time in transit to destination.

As a general return to contracting for delivery to destination, if up-country, could not be contemplated, action was required to bring the standard terms of payment into line with facts, the law of contract and equity. It was surely not in Government's own interests to perpetuate out-of-date procedures, the result of which must be inflated sales prices due to unknown delays to be financed by the suppliers.

In referring this matter to the Associated Chambers of Commerce of India, the Committee urged that steps be taken to bring up-to-date the standard terms of payment. This might be achieved by extending "inspection" to all stores indented by Government and semi-Government Departments, using the existing Directorates of Inspection of the Industries and Supplies Department when payment terms could be "90 per cent. on inspection and acceptance and 10 per cent. against railway receipt (or challan receipt for local delivery)."

Certainly nothing less than 100 per cent. payment proportioned between "inspection" and "despatch" should be considered.

Another factor detrimental to Government's interests was that the slowness of turnover arising from large quantities o.

reserved material or "in transit" material, for both of which payments were completely or partially outstanding, prevented the supplier from bringing forward new supplies, thus cutting down the available annual supply of essential goods.

In September 1948 the Committee again addressed the Associated Chambers of Commerce drawing attention to another point which had arisen in regard to the payment of bills by the Department of Industries and Supplies pertaining to insurance charges. It had been reported that in making payments of recent bills the D.A.G., Industries and Supplies, Calcutta, had written to a member in the following terms :—

"Insurance charge of Rs. has been deducted from your bill cited above as 90 per cent. value of stores only is payable after inspection and on furnishing proof of despatch of the stores. Other incidental charges are payable along with the balance 10 per cent. bill. Insurance voucher is therefore returned herewith."

The bills in question were submitted against orders placed by the Director-General, Industries and Supplies, New Delhi, for delivery of material f.o.r. Bombay. Suppliers were asked to insure the material and claim insurance charges as an extra. The amount billed by the supplier was the actual amount paid to the insurance company and the amount in the bill was supported by the insurance company's voucher.

As the goods, supplied on an f.o.r. basis, passed out of the sellers' ownership when they were delivered to the railway at the station of despatch, the effecting of insurance on goods after they had technically passed into the purchaser's possession, was an act of grace on the seller's part. It was, therefore, considered that suppliers should be reimbursed at the earliest possible moment which, in practice under the existing procedure, would mean that the cost of insurance should be included in the 90 per cent. bill.

The foregoing made it all the more desirable that Government should adopt the 100 per cent. method of payment in force a few years ago.

INDIAN MERCHANDISE MARKS ACT, 1889.

COTTON YARN AND COTTON THREAD (MARKING) RULES, 1948.

Reproduced for purposes of record is circular No. 197/3913 of 15th November, concerning rules to be observed for the marking of imported cotton yarn and thread.

In exercise of the powers conferred by sub-section (1A) of section 20 of the Indian Merchandise Marks Act, 1889 (IV of 1889), read with section 22 of the General Clauses Act, 1897 (X of 1897), the Central Government

is pleased to make the following rules, the same having been previously published as required by sub-section (6) of the said section 20, namely :—

1. (1) These rules may be called the Cotton Yarn and Cotton Thread (Marking) Rules, 1948.

(2) They shall come into force on the 1st April 1949.

2. In these rules, unless there is anything repugnant in the subject or context, "the Act" means the Indian Merchandise Marks Act, 1889 (IV of 1889).

3. The marking of bundles of cotton yarn and units of cotton thread with the particulars required by sub-section (2) of section 12 of the Act, shall be made in accordance with these rules.

4. All markings shall be in the English language and English numerals shall be used.

5. The weight of yarn or thread in each bundle or unit shall ordinarily be indicated thereon in pounds or ounces in accordance with the avoirdupois system or in grammes according to the metric system, and the length of thread in each bundle or unit shall be indicated thereon in yards or metres.

6. The name of the manufacturer, or of the exporter, or of the wholesale purchaser in India shall be indicated in full or, provided that the said name is clearly and unambiguously indicated thereby, in an abbreviated form, on each bundle or unit.

7. (1) Each bundle of cotton yarn shall be marked with the required particulars by one or more inscribed wrappers, labels or cards applied, affixed, or stitched thereto, provided that all the required particulars shall be contained on one exposed surface.

(2) Units of cotton thread shall be marked with the required particulars—

(*a*) when made up in skeins, by an inscribed label applied round each skein or bundle of skeins or secured by twine thereto ;

(*b*) when made up in balls, by an inscribed label attached to each ball, or inserted therein but remaining exposed ;

(*c*) when wound on cards, wheels or stars, by inscription on the exposed portion of the card, wheel or star ;

(*d*) when wound on reels, by one or two inscribed labels applied to the end or ends of the reel ;

(*e*) when wound on paper tubes or cones by an inscribed label applied round or otherwise affixed to the thread or to the exposed portion of the outer surface of the tube or cone or, where the diameter of the tube or cone is sufficient for the label to be clearly exposed to view, to the inner surface of the tube or cone, or by inscription on the exposed portion of the outer surface of the tube or cone ;

(*f*) when made up in any other form by an inscribed label or card applied, affixed or stitched to, or enclosed or inserted in, such make up.

(3) Labels or cards used in accordance with sub-rules (1) and (2) shall be so applied as not to be easily detachable or removable from a bundle of cotton yarn or from each unit of cotton thread in the ordinary course of handling before it reaches the normal consumer.

8. Where units of cotton thread are enclosed in a cover, the cover shall also be marked with the required particulars.

9. All markings shall be legible, distinct and in a colour not likely to be easily obliterated, which shall be different from the colour of the surface marked.

10. The counts of cotton yarn in a bundle shall be ordinarily expressed by adding the letter " S " after the numeral or numerals. Where, however, a bundle is packed on the metric system, the counts shall be accompanied by the words " metric counts " or by some other clear and definite indication conveying the fact.

11. Nothing in these rules shall be construed as prohibiting the indication in any manner of other particulars relating to the cotton yarn or cotton thread so long as the conspicuousness of the required particulars is not affected thereby.

12. All premises where the work is done by the members of one family with or without the assistance of not more than ten other employees, and all premises controlled by a co-operative society where not more than twenty workers are employed in the premises shall be exempted from the operation of sub-section (3) of section 12 of the Act and of these rules.

RESTRICTIONS ON PAYMENT OF DIVIDENDS.

During October the Government of India asked the Associated Chambers for their views and suggestions on certain proposals to counter inflation, which were as follows :

1. To limit dividends of public companies to the average of the amount distributed as dividends during two years ended 31st March 1948, or to six per cent. on paid-up capital, whichever is higher.

2. To stimulate investments by intensifying the Small Savings campaign and to afford wider facilities for the small investor.

3. To speed up the progress of the Estate Duty Bill.

4. To secure a reduction in the prices of sugar, and at the same time to announce a scheme for the better distribution of essential commodities like kerosene oil, iron, steel and cement.

The Committee of this Chamber considered these proposals and sent the following telegram to the Associated Chambers :

" Your telegram sixteenth regarding restriction dividends consider companies who have in basic years capitalised monies which might otherwise have been distributed to maintain usual dividend and companies who have ploughed back into their businesses monies with which they could have increased their usual dividends during basic years will be penalised both these forms of retaining money in business are most commendable stop Scheme as outlined affects most adversely companies whose main interests lie in countries recently under enemy occupation stop For such companies two years ending 31st March 1948 were periods of reconstruction and rehabilitation and even today many of their recovered assets may still not be restored to normal revenue producing capacity stop Dividends of such companies in proposed basic years were thus automatically limited and to perpetuate limitation when full working again possible is prejudicial stop Would be more equitable to allow such companies option of average dividend paid in last two years of full working prior to Japanese invasion Siam and Burma stop Also suggest that in drafting legislation Government should make it patently clear that paid-up capital includes bonus shares issued as fully paid-up pursuant to a contract."

The Ordinance to give effect to Government's proposals was published on 29th October 1948. (Ordinance No. XXIX) details of which are reproduced hereunder :

ORDINANCE No. XXIX OF 1948.

An Ordinance to limit the dividends which may be paid by public companies.

Whereas an emergency has arisen which makes it necessary to limit the dividends which may be paid by public companies ;

Now, therefore, in exercise of the powers conferred by section 42 of the Government of India Act, 1935 (26 Geo. 5,c.2), the Governor-General is pleased to make and promulgate the following Ordinance :—

PRELIMINARY.

1. *Short title, extent and commencement.*—(1) This Ordinance may be called the Public Companies (Limitation of Dividends) Ordinance, 1948.

(2) It extends to all the Provinces of India, and also to every Acceding State to the extent to which the Dominion Legislature has power to make laws for that State as respects the matters dealt with in this Ordinance.

(3) It shall come into force at once.

2. *Definitions.*—In this Ordinance, unless there is anything repugnant in the subject or context—

(*a*) " Companies Act " means the Indian Companies Act, 1913 (VII of 1913) ;

(*b*) " Company " means a public company as defined in clause (13A) of section 2 of the Companies Act, and includes—

(i) the Imperial Bank of India constituted under the Imperial Bank of India Act, 1920 (XLVII of 1920) ;

(ii) any trading, banking, insurance or finance corporation constituted by or under any other law in force in India, provided that such corporation, if it had been registered as a company under the Companies Act would not have been a " private company " within the meaning of that Act ; and

(iii) any other incorporated body which the Central Government may, by general or special order, declare to be a public company for the purposes of this Ordinance,

but does not include a co-operative society registered or deemed to be registered under the Co-operative Societies Act, 1912 (II of 1912), or any other law relating to co-operative societies in force for the time being in any part of India ;

(*c*) " financial year " means the year commencing on the 1st day of April.

LIMITATION OF DIVIDENDS.

3. *Dividends not to exceed certain limits.*—No company shall, after the commencement of this Ordinance, distribute as dividend during any financial year, any sum which exceeds, or which when taken with any sum already distributed as dividend during the same year whether before or after the commencement of this Ordinance, will exceed—

(*a*) six per cent. of the paid-up capital of the company as on the last day of the period in respect of which the dividend is distributed, after deducting from such capital all amounts attributable to the capitalisation, on or after the first day of April 1946, of one or more of the following namely, reserves, profits and appreciation of assets, or

(*b*) the average annual dividend of the company, determined in the manner specified in sections 5 to 7,

whichever is higher.

4. *Limit of six per cent. to be exclusive of income-tax paid by company.*—The limit of *six* per cent. specified in clause (*a*) of section 3 shall be applied to the amount of dividend distributed by the company among its shareholders, payments made by the company by way of income-tax being ignored.

5. *Dividends and periods to be taken into account for determining average annual dividend.*—The average annual dividend referred to in clause (*b*) of section 3 shall be determined with reference to—

(*a*) the total of the dividends distributed by such company (otherwise than by way of bonus shares) during the period of two years commencing on the 1st day of April 1946, and ending with the 31st day of March 1948, and

(*b*) the total of the periods in respect of which each such dividend has been distributed, no period however being counted more than once :

Provided that where an interim dividend for any period has been distributed before the 1st day of April 1946, and a final dividend has been distributed in respect of the same period on or after that date but on or before the 31st day of March 1948, such interim dividend shall be added to the total of the dividends referred to in clause (*a*) ;

Provided further that where an interim dividend for any period has been distributed on or after the 1st day of April, 1946 and on or before the 31st day of March, 1948, and a final dividend has been or is distributed in respect of the same period after the latter date, then—

(i) if the final dividend was distributed before the 5th day of October, 1948, it shall be added to the total of the dividends referred to in clause (*a*) ;

(ii) if the final dividend was or is distributed on or after the 5th day of October, 1948, the interim dividend and the period in respect of which it was distributed shall not be taken into account for the purposes of this section ; but it shall be open to the company to claim that the interim dividend (but not the final dividend) shall be added to the total of the dividends referred to in clause (*a*), in which case the period in respect of which such interim dividend was distributed shall be taken into account for the purposes of clause (*b*).

6. *Date of distribution of dividend.*—For the purposes of this Ordinance, a dividend shall be deemed to have been distributed by a company on the date on which the shareholders or their legal representatives have a right to receive it from the company, whether or not it has been actually paid.

7. *Provision for increase or reduction in paid-up capital.*—(1) (*a*) Where, subsequent to the distribution by a company of any dividend which has to be taken into account for the purposes of clause (*b*) of section 3, its paid-up capital is increased by any amounts actually paid in cash, or

(*b*) where, before the distribution of any such dividend, the paid-up capital of a company is increased by any amounts actually paid in cash, but the amounts so paid are not entitled to the benefit of such dividend,

such dividend, and every prior dividend which has to be taken into account for the purposes aforesaid, shall be deemed to have been augmented—

(i) *pro rata*, if the increase took place before the commencement of this Ordinance ; and

(ii) by a sum equal to six per centum per annum of the amounts paid in cash as aforesaid, if the increase took place after the commencement of this Ordinance.

(2) (*a*) Where subsequent to the distribution by a company of any dividend which has to be taken into account for the purposes of clause (*b*) of section 3, its paid-up capital is reduced, or

(*b*) where, before the distribution of any such dividend, the paid-up capital of a company is reduced, but the whole of the capital as it stood before such reduction is entitled to the benefit of such dividend,

such dividend, and every prior dividend which has to be taken into account for the purposes aforesaid, shall be deemed to have been diminished *pro rata*.

PREFERENCE SHARES.

8. *Special provision for preference shares.*—Nothing contained in this Ordinance shall be deemed to limit in any way the dividend payable on preference shares issued and subscribed for, before the commencement of this Ordinance.

9. *Prohibition of issue of preference shares at more than six per cent.*—No company shall, after the commencement of this Ordinance issue preference shares carrying a right to a dividend at a rate exceeding six per centum per annum.

MISCELLANEOUS.

10. *Power to make rules.*—(1) The Central Government may, by notification in the official *Gazette*, make rules to carry out the purposes of this Ordinance.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for—

(i) the adaptation of the provisions of this Ordinance with a view to their application to all or any of the bodies declared to be public companies under sub-clause (iii) of clause (*b*) of section 2;

(ii) the prevention of the evasion of the provisions of this Ordinance, and the removal of difficulties in giving effect thereto.

11. *Power to make exemptions, etc.*—The Central Government may by notification in the official *Gazette*, exempt any company or class of companies from all or any of the provisions of this Ordinance, or make any modification in the application of the said provisions to any company or class of companies.

12. *Penalty.*—Any director, managing agent, manager or other officer or employee of a company who contravenes or attempts to contravene, or abets the contravention of or attempt to contravene, any of the provisions relating to the distribution of dividends, or the issue of preference shares, contained in this Ordinance or in any rule, notification or order issued thereunder, shall be punishable with imprisonment for a term which may extend to two years, or with fine, or with both.

CENSUS OF INDIA'S FOREIGN LIABILITIES AND ASSETS.

By a notification in the *Gazette of India* dated 2nd October 1948, the Reserve Bank of India called for information as on 30th June 1948 from certain individuals and institutions in the

Dominion of India and the acceded States in respect of their foreign liabilities and assets. According to the notification, assets located in Pakistan and liabilities to Pakistanis are respectively foreign assets and liabilities. The returns are to be filed with the Director of Monetary Research, Department of Research and Statistics, Reserve Bank of India, Bombay.

The notification imposes a legal obligation on the following categories of persons :—

"All individuals, registered and unregistered partnerships and Indian joint stock companies (including banks and insurance companies) owning assets and owing liabilities abroad; all branches of foreign firms and companies operating in India and all foreign nationals resident in India."

Copies of the Schedule forms were obtainable from the Director of Monetary Research, Reserve Bank of India, Bombay, and members of the Chamber were given full details of the notifications by circulars Nos. 376/3718 of 27th October, 376/4033 of 24th November, 376/4098 of 29th November and 17/376/4338 of 17th December.

The original date for filing the applications was fixed as 31st December 1948. After considering the directive from the Reserve Bank, the Committee of the Chamber addressed the Bank pointing out (1) the great amount of work and inconvenience which would be caused to many companies which did not ordinarily close their accounts on 30th June and which held stocks in various parts of India, if detailed figures had to be compiled for a date which had already passed, i.e., 30th June 1948. They further stated that in view of the amount of work required in the completion of the schedules, insufficient time for submission had been allowed, and they requested that the date be extended from 31st December to 31st March 1949. In replying to this letter, the Reserve Bank pointed out that, while appreciating the difficulties in regard to the volume of work involved for companies holding large stocks in various cities in India in compiling their balance sheet as on 30th June 1948, when the usual date of their balance sheet differed from this, no uniform date was adopted by companies in India for the yearly closing and any date, therefore, selected for the purpose of the census was bound to affect companies having a different balance sheet date. While, therefore, the difficulty of a special compilation was unavoidable, the Reserve Bank made it clear that what they required by way of information was intended to be approximately correct and need not be accurate in the strict accounting sense.

As for the question of extending the time within which the returns were to be filed, the Reserve Bank regretted their inability to do this without delaying unduly the period within which they proposed to finalise their enquiry.

The Chamber again addressed the Reserve Bank pointing out that, even if only approximate figures were required in respect of items 9, 10 and 11 in Schedule III, the date for submission of the Schedules should, as previously requested, be extended up to 31st March 1949. Subsequently the Reserve Bank notified the public that the date for submission had been extended up to 15th February 1949.

It should be noted that failure to submit the required information within the stipulated date, or furnishing of inadequate or incorrect information would entail legal proceedings under sections 176 and 177 of the Indian Penal Code.

ENFACEMENT OF PUNJAB GOVERNMENT SECURITIES ON TREASURIES IN INDIA.

A Press *communique* issued by the Government of West Punjab in connection with the enfacement of Punjab Government securities on treasuries in India is reproduced below for the information of members.

"The West Punjab Government have decided that with effect from the 1st April 1948 no securities of the former Government of the Punjab should be enfaced or registered for payment of interest at any treasury or sub-treasury in India. Interest on securities, which are enfaced or registered for payment of interest in any Indian treasury or sub-treasury by the 31st March 1948, will continue to be paid in India, and the principal of such securities will also be similarly paid on maturity in India. The existing facilities for renewal, sub-division, consolidation or transfer from one treasury to another in India will also continue. Securities enfaced or registered for payment of interest in India up to and including 31st March 1948 may be transferred to Pakistan but no subsequent re-transfer to India will be allowed."

TARIFF BOARD.

Protection for the Artificial Silk and Cotton and Artificial Silk Mixed Fabrics Industry.

In December the Tariff Board held an enquiry into the demand of the artificial silk and cotton and artificial silk mixed fabrics industry for protection or assistance. Members of the Chamber interested in the industry submitted their views and in support of their recommendations the Committee addressed the Tariff Board in regard to the present high rate of import duty on artificial silk fabrics and fabrics made of artificial silk and cotton. It was pointed out that in present circumstances many of the qualities of these goods were not luxury articles and that they could properly be considered as much needed consumer goods, as they were being purchased by large sections of the public for clothing purposes in view of the very small annual

quota of cotton cloth allowed to each individual. Furthermore, the average quality of imported goods was higher than that of the indigenous supply and the types were often not manufactured in India at all. It was satisfactory that artificial silk and cotton and art. silk fabrics had been placed on Open General Licence since 5th November 1948, but some months had yet to elapse before supplies imported under the O.G.L. could arrive. In the meantime, owing partly to shortage of stocks of the required qualities, the prices of those available were extremely high.

After these goods were put under Open General Licence the rate of import duty was increased. The Committee considered that, so long as supplies were short, the rate of import duty should be reduced at least to what it was before the increase came into effect. Such a reduction in the duty could have no adverse effect at all on indigenous industries, so long as there were inadequate supplies available of qualities for clothing purposes.

CONTROL AND REGULATION OF THE COTTON TRADE.

(*See Report* 1947, *page* 34.)

It was recorded in the Report for 1947 that the Committee of the Chamber had considered the report of the Cabinet Committee published in April 1947 on the further control and regulation of forward trading in cotton in Bombay Province, and had expressed their disagreement with the Cabinet Committee's proposals in connection with surveys and appeals. The Committee of the Chamber were of opinion that the best solution of the problem was the immediate appointment of sworn full-time surveyors and they strongly supported the recommendation in this regard which had been made by the local Sub-Committee of the Indian Central Cotton Committee.

In a Press Note issued on 11th August 1947, on the recommendations of the Report of the Cabinet Committee on Forward Trading in Cotton, the Government of Bombay announced, *inter alia*, that while it accepted as a provisional solution the Committee's recommendation in respect of the modifications in the system of survey and arbitration, it would be prepared to accept in its place any other solution, such as that of employing whole-time paid surveyors, agreed upon, in mutual consultation, by the representatives of the East India Cotton Association and of the Indian Central Cotton Committee, provided such agreement was reached as early as practicable and in any case not later than 1st January 1948. The joint discussions of the representatives of these two bodies did not, however, result in an agreed solution. The Board of the East India Cotton Association was

itself divided on this question, and by a majority recommended a scheme of survey and arbitration under which each party would appoint its own arbitrator from a panel of arbitrators, selected by the Board of the East India Cotton Association, but would not otherwise take any part in the proceedings. The Indian Central Cotton Committee, on the other hand, unanimously recommended that the survey should be by the whole-time paid surveyors. The Government again reviewed these alternatives as well as others which had been suggested and came to the conclusion that a scheme of paid whole-time and sworn surveyors, which had the added advantage of being a step in the direction of the eventual establishment of a system of licensed warehouses, would, in the circumstances, be the most appropriate solution. This decision has been communicated to the East India Cotton Association which has been requested to take early steps to implement it.

COTTON TEXTILES FUND COMMITTEE.

In April 1948 the Chamber was informed by the Government of India, Ministry of Industry and Supply, that the Cotton Textiles Fund Committee had under consideration a scheme for the supervision of the quality and packing of cotton textile goods meant for export in order to maintain the reputation of Indian cotton textiles in foreign markets.

The major portion of exports were done through the following three ports, Bombay, Madras and Calcutta and the Port of Bombay handled more than two-thirds of the trade. It was, therefore, suggested that a special quality control sub-committee should be formed with its headquarters in Bombay, preferably in the Textile Commissioner's Office and that the sub-committee should have three Branch Committees in the three ports, viz., Bombay, Calcutta and Madras.

The suggested Bombay Branch Committee would consist of the following :

A representative of the Cotton Textiles Fund Committee representing the industry.

Mr. Krishnaraj M. D. Thackersey.

The Textile Commissioner (or his representative).

The Deputy Chief Controller of Exports, Bombay.

A representative of exporters.

The Main Sub-Committee may consist of all the members of the three Branch Committees whose duty it would be to adopt suitable measures for checking the quality and packing of cotton textiles exported out of India and to enforce the same. Paragraph 5 of the scheme, reproduced below, outlines measures suggested to minimise complaints regarding exported goods :

5. (A) The Textile Commissioner on behalf of the Committee should notify, by a Press *communique* or circular all exporters of cotton textiles (manufacturing exporters or merchant exporters) that for all sales of cotton cloth or yarn for export they should have the basis samples of cotton cloth or yarn (as approved by importing buyers in foreign countries) together with the manufacturing particulars, trade marks or trade numbers of same duly registered in the Textile Commissioner's Office, Bombay (and corresponding offices in Madras and Calcutta) soon after the export sale contract is confirmed. The mills manufacturing the export sale contract should inform the Textile Commissioner's Office in Bombay (and corresponding offices in Madras and Calcutta) as soon as the goods against the particular export sale are ready for packing. The Textile Commissioner's office in Bombay (and corresponding offices in Calcutta and Madras) will arrange for inspection of the goods against the registered basis sample and issue a certificate indicating that the goods are as per basis sample.

(B) The passed goods for export were to be packed in the specified export packing.

The inspecting staff would be appointed by the Textile Commissioner in consultation with the Chairman of the Main Sub-Committee.

The draft scheme was considered by the Committee who informed the Cotton Textile Fund Committee that they considered the scheme impracticable and unnecessary. They noted from paragraph 5 of the scheme that all exporters of cotton textiles (manufacturing exporters or merchant exporters) should have the basis sample of cotton cloth or yarn which has been approved by the buyers abroad together with manufacturing particulars, i.e., trade marks or trade numbers registered in the Textile Commissioner's office soon after the export sale contract was confirmed. It was then proposed that the mills manufacturing the export sale contract should inform the Textile Commissioner's office as soon as the goods were ready for packing and the latter would arrange for inspection of the goods against the registered basis sample and issue a certificate indicating that the goods were as per basis sample.

It was not clear from the above whether it was the intention of the Cotton Textile Fund Committee to send representatives to the various up-country mills to check the goods being manufactured. The Committee also enquired whether the Customs or the proposed Port Committees were going to open a percentage of the bales at the docks and examine them. Furthermore, what proof would there be that the goods inspected at the mill were those which were being shipped.

The Committee understood the Government of India's desire to uphold the reputation of textiles and yarns exported from this country and they considered that this could best be achieved by stopping the issue of licences to innumerable newcomers who knew nothing about the trade and issuing licences only to mills and exporters who were experts, and who were keen to build up a reputation of "good delivery."

ANNUAL REVISION OF THE LIST OF COTTON PIECEGOODS.

In September 1948, the Director-General of Commercial Intelligence and Statistics, enquired whether the Chamber had any addition to propose to the list of cotton piecegoods which, by the usage of trade, had been recognised as piecegoods liable to assessment to import duty under item 48(3) of the First Schedule to the Indian Tariff Act. After consulting the Import Sub-Committee, the Committee intimated that the following should be added to the list :—

(*a*) embroidered net allovers,

(*b*) lace all overs, and

(*c*) mosquito nets.

TRADE MARKS : PAKISTAN.

In January 1948, the Chamber addressed the Ministry of Commerce, New Delhi, and pointed out that under the provisions of the Indian Independence Act the laws of British India as they were before the 15th August had been made applicable with certain adaptations to both the Dominions of India and Pakistan during the transitional period. The result of this was that, among others, the Trade Marks Act applied to both Dominions although the office of the Registrar of Trade Marks was situated in India.

The Committee were unaware of the intention of the Government of Pakistan with regard to trade marks legislation, but they urged upon the Government of India the importance of seeing that a further agreement was come to with the Government of Pakistan so as to ensure that there would be uniformity of legislation on this matter in both the Dominions, and reciprocal arrangements between them similar to those which existed between India and certain Indian States. This scheme with the Indian States had so far worked satisfactorily and the Committee, therefore, hoped it might be found possible to come to a similar arrangement with the Government of Pakistan in order to ensure uniformity of practice and to prevent registration of conflicting trade marks in one or other of the Dominions.

In April the Chamber again addressed the Ministry of Commerce, New Delhi, as it was understood that the Pakistan Ministry of Commerce were not prepared to continue the existing arrangements under which trade marks registration was administered for both Pakistan and India by the Indian authorities, and that the Pakistan Government proposed to set up their own registry.

The Committee understood that there would be no reciprocity between Pakistan and India or between Pakistan and the States and that holders of trade marks would be required to re-register their marks in Pakistan.

The Committee stressed the need for reciprocity between the two Dominions and hoped that this matter was receiving the attention of the Government of India.

Information was subsequently received through the Associated Chambers that any Trade Marks registered before the Partition date under the Trade Marks Act, 1940, were valid throughout the Provinces of India and Pakistan in virtue of Article 12 of the India (Adaptation of Existing Indian Laws) Order, 1947, and Article 12 of the corresponding Adaptation Order for Pakistan. It was learned, however, that if the legal aspect of the matter was pressed, the Government of Pakistan would probably issue an ordinance or introduce a Bill invalidating all India Trade Marks in Pakistan and making re-registration compulsory.

The Associated Chambers believed that the Government of Pakistan had requested the Government of India to supply one set of their Trade Marks Registers and had given an undertaking to the Government of India that re-registration of Trade Marks entered in these Registers would be automatically allowed on payment of the necessary fees. In the event of the Government of India failing to comply, the Pakistan Government would possibly allow re-registration on the production by the applicant of the Indian Certificate of Registration (either the original or certified copy, or possibly photostat copies of the same).

Although the matter was not finalised, it appeared that the Government of Pakistan were unwilling to commit themselves to this simplified procedure which might encourage bogus applications, but the Chambers considered it safe to assume that ultimately the Indian Certificate of Registration would be considered presumptive evidence of re-registration in Pakistan in the case of reliable firms and that no further evidence would be required from them.

REGISTRATION OF TRADE MARKS—FEES.

In August 1946, the Government of India published certain draft rules to provide for reciprocal arrangements between British India and Indian States. Under the Rules, the application fee was fixed at Rs. 30 and the registration fee at Rs. 60. Because of the advantages that would accrue from the arrangements the Government of India had made for reciprocity with Indian States the Committee had no criticism to offer on the greatly enhanced fees.

In April 1948, a member firm drew the attention of the Chamber to the fact that most of the Native States within the Indian Union had acceded to the Union and asked whether it was the intention of Government to revert to the old scale of fees. In referring this matter to the Associated Chambers, the Committee suggested that the time might be appropriate to ask the Government of India to make a reduction in the registration fees. In making this suggestion, the Committee were influenced by the recent decision of the Government of Pakistan to establish its own Registry and the fact that there was to be no reciprocity between Pakistan and India and that holders of Trade Marks would be required to re-register in Pakistan (this office circulars Nos. 215B/1894, dated 27th May 1948, and 215B/2128, dated 19th June 1948). As this would involve additional expense, the Committee felt that there was good reason to request the Government of India to consider the question of reducing the existing registration fees.

EXPORT OF OILS AND OILSEEDS.

During the year the Chamber made several representations, both verbally to Government officials visiting Bombay and by correspondence, in regard to the difficulties experienced by established exporters of oilseeds and oils from India. The whole problem fell under three broad headings, namely :—

(1) Government's policy in regard to the export of oils and oilseeds.

(2) Procedure for the distribution of export permits.

(3) The high incidence of export duty.

In regard to (1) the Chamber recommended that Government should make it a point to announce well in advance the actual quantities that would be permissible for export to various destinations so as to give exporters sufficient time in which to get in touch with their overseas buyers. In fixing export quotas Government should aim at allotting the largest possible quantities in order to maintain India's position in the world market.

Coupled with Government's policy was the procedure adopted in the distribution of quotas and the issue of permits. A great deal of harm had been done to the trade by Government persisting in setting aside a certain proportion of the quotas for new-comers. While in no way suggesting that the export of oils and seeds should be confined to a small group of exporters only, the Chamber felt strongly that only those exporters who had a knowledge of the trade and who were fully equipped to handle and ship the goods should be considered for licences.

The third feature related to the high incidence of export duty. For many months the Chamber had advocated the abolition or at least a substantial reduction in the export duty, as in articles such as castor seed and castor oil the duty only went to increase the disparity in prices between India and Brazil, and in the case of other oils and seeds they definitely stood in the way of business. It was pointed out to Government that foreign countries which were still prepared to pay high prices for oil and oilseeds which India was demanding due to the incidence of the present heavy duties, were solely soft currency countries. Had the duties not been levied prices of Indian oils and seeds would have been lower and hard currency countries would probably have turned to India to cover a portion of their requirements, thereby supplying valuable hard currency. It was evident that Government's policy in regard to the levying of export duty had resulted in a serious decline in exports and that fact had directly resulted in the castor seed and castor oil trade being lost to Brazil. Moreover, there were other countries such as Turkey and Australia who were growing sufficient linseed for their own needs, and in the case of the former country there was a surplus available for export. The Chamber therefore urged upon Government the necessity of adjusting the duty so as to ensure that exporters would be given all facilities to maintain India's position in the world markets of oils and oilseeds. In support of this representation the Ministries of Commerce, Food and Agriculture, and Finance, and the Export Trade Controller, were sent a memorandum and notes which fully explained the difficulties experienced by exporters.

As a result of these representations the Central Government decided in November to abolish the export duty on castor seed and castor oil, but Government have not yet made any change in regard to groundnuts, groundnut oil, linseed and linseed oil.

PETROL RATIONING.

In April, the Government of Bombay announced that, owing to the continued increase in new registrations of motor vehicles of all types, and in view of increasing demands for essential requirements, namely, foodgrain movements, Forest Department, Public Works Department, Railway Works, Port

Trust, Docks, Municipalities, etc., it had been found necessary, in order to maintain an equitable distribution and in order to meet essential needs, without exceeding the petrol quota fixed by the Central Government for this Province, to issue from May 1st the basic and other fixed petrol rations on the following scale:—

(1) Private cars and motor cycles.

(*a*) Basic : Half of the normal basic.

(*b*) Supplementary : At the same rate as was issued for the months of March and April 1948.

(2) Bus services : The cut of 20 per cent. to be maintained.

(3) Goods vehicles : A cut of approximately 33-1/3 per cent. on the original issue.

(4) Taxis (other than mofussil) : A cut of 10 gallons per month.

In May, it was found necessary, as a result of a reduction in the quota allocated by the Central Government to this Province, to review the situation of petrol supplies to individual owners and drivers for the purpose of considering ways and means of effecting an all-round general saving, so that an equitable distribution might be made and at the same time ensuring that consumption during the quarter did not exceed the quota allocated to the Province by the Central Government. The Government of Bombay decided that a special Advisory Committee should meet for the purpose of considering this problem. The Committee was composed of the following :—

1. The Parliamentary Secretary to the Minister, Home and Revenue Departments. *Chairman.*

2. Mr. C. S. Patel, M.L.A. .. .. } .. *Members.*
3. Mr. C. C. Shah, Solicitor .. .. }

4. The Provincial Rationing Authority. .. *Secretary.*

In order to assist them in their task, the Committee drew up a form of questionnaire which all owners of cars and motor lorries were obliged to complete and return to the Provincial Rationing Authority. As a result of the Committee's investigation, there was a complete redistribution of supplementary allocations to individual owners which was divided into categories, the actual quota being calculated on the basis of horse-power. The categories are as follows :—

	Categories.	*Basis.*
		Miles per month.
I.	Doctors : A essentiality	700
	Doctors : B essentiality	600
	Doctors : C essentiality	450
	Doctors : D essentiality	300
		Miles per day.
II.	Merchants, business firms, solicitors, individual auditors, actors, professors, teachers and priests ..	8 to 10
III.	Industrialists and journalists	14 to 16
IV.	Civil engineers and architects	10 to 12
V.	Lawyers	10
VI.	Industrial firms' staff cars and auditors' firm cars ..	12 to 14

If a person resided between Matunga and Ghatkopar on the G.I.P. Railway and Santa Cruz on the B.B.C.I. Railway additional allowances of 10 to 20 per cent. might be granted according to distance.

If there were two cars or more in the same family in different names and if more than one member of the family is actually in business for entirely different and independent business purposes, the second car should be granted 50 per cent. of the issue made for the first car according to the above categories. No supplementary allocations were granted to other cars.

The supplementary quota was in no case to exceed twice the original basic quota.

As it was possible that the allotment of petrol might fall short of individual requirements in some cases, the Committee were prepared to consider appeals and make readjustments wherever this was deemed to be necessary.

The reduced supplementary rations proved in most cases to be wholly inadequate for the needs of the business community, and representatives of this Chamber, the Indian Merchants' Chamber, the Millowners' Association and the East India Cotton Association met the Petrol Advisory Committee during August with a view to discussing the cuts, which appeared to them to be excessive. After placing their case before the Committee, the deputation were assured that Government were anxious to meet all legitimate demands, and those who felt that the ration was inadequate were asked to register their appeal with the Committee.

There was some improvement towards the end of September when it was announced that the Government of Bombay had decided to provide an additional supplementary quota, equal to one-half of the basic ration, for the quarter October to December, while an improvement in the basic ration was effected in November, which restored it to what it was before the cut was brought into force in May.

GOVERNMENT OF INDIA'S INDUSTRIAL POLICY.

Members were advised by the Chamber's circular No. 85/1299, dated 15th April, of the Government of India's Industrial Policy.

The circular is reproduced hereunder.

The Government of India have given careful thought to the economic problems facing the country. The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all the people. The immediate objective is to provide educational facilities and health services on a much wider scale, and to promote a rapid rise in

the standard of living of the people by exploiting the latent resources of the country, increasing production and offering opportunities to all for employment in the service of the community. For this purpose careful planning and integrated effort over the whole field of national activity are necessary; and the Government of India propose to establish a National Planning Commission to formulate programmes of development and to secure their execution. The present statement, however, confines itself to Government's policy in the industrial field.

2. Any improvement in the economic conditions of the country postulates an increase in national wealth: a mere redistribution of existing wealth would make no essential difference to the people and would merely mean the distribution of poverty. A dynamic national policy must, therefore, be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution. In the present state of the nation's economy, when the mass of the people are below the subsistence level, the emphasis should be on the expansion of production, both agricultural and industrial; and in particular on the production of capital equipment, of goods satisfying the basic needs of the people, and of commodities the export of which will increase earnings of foreign exchange.

3. The problem of State participation in industry and the conditions in which private enterprise should be allowed to operate must be judged in this context. There can be no doubt that the State must play a progressively active role in the development of industries, but ability to achieve the main objectives should determine the immediate extent of State responsibility and the limits to private enterprise. Under present conditions, the mechanism and the resources of the State may not permit it to function forthwith in industry as widely as may be desirable. The Government of India are taking steps to remedy the situation; in particular, they are considering steps to create a body of men trained in business methods and management. They feel, however, that for some time to come, the State could contribute more quickly to the increase of national wealth by expanding its present activities wherever it is already operating and by concentrating on new units of production in other fields, rather than on acquiring and running existing units. Meanwhile, private enterprise properly directed and regulated, has a valuable role to play.

4. On these considerations the Government have decided that the manufacture of arms and ammunition, the production and control of atomic energy, and the ownership and management of railway transport should be exclusive monopoly of the Central Government. Further, in any emergency, the Government would always have the power to take over any industry vital for national defence. In the case of the following industries, the State—which, in this context, includes Central, Provincial and State Governments and other Public Authorities like Municipal Corporations—will be exclusively responsible for the establishment of new undertakings, except where, in the national interest, the State itself finds it necessary to secure the co-operation of private enterprise subject to such control and regulation as the Central Government may prescribe:

(1) Coal (the Indian Coalfields Committee's proposals will be generally followed).

(2) Iron and steel.

(3) Aircraft manufacture.

(4) Shipbuilding.

(5) Manufacture of telephone, telegraph and wireless apparatus excluding radio receiving sets.

(6) Mineral oils.

While the inherent right of the State to acquire any existing industria undertaking will always remain, and will be exercised whenever the public interest requires it, Government have decided to let existing undertakings in these fields develop for a period of ten years, during which they will be allowed all facilities for efficient working and reasonable expansion. At the end of this period the whole matter will be reviewed and a decision taken in the light of circumstances obtaining at the time. If it is decided that the State should acquire any unit, the fundamental rights guaranteed by the Constitution will be observed and compensation will be awarded on a fair and equitable basis.

Management of State enterprise will, as a rule, be through the medium of public corporations under the statutory control of the Central Government, who will assume such powers as may be necessary to ensure this.

5. The Government of India have recently promulgated a measure for the control by the State of the generation and distribution of electric power. This industry will continue to be regulated in terms of this measure.

6. The rest of the industrial field will normally be open to private enterprise, individual as well as co-operative. The State will also progressively participate in this field; nor will it hesitate to intervene whenever the progress of an industry under private enterprise is unsatisfactory. The Central Government have already embarked on enterprises like large river-valley developments, which are multi-purpose projects of great magnitude, involving extensive generation of hydro-electric power and irrigation on a vast scale, and are calculated in a comparatively short time to change the entire face of large areas in this country. Projects like the Damodar Valley Scheme, the Kosi Reservoir, the Hirakud Dam, etc., are in a class by themselves and can stand comparison with any of the major schemes in America or elsewhere. The Central Government have also undertaken the production of fertilisers on a very large scale, and have in view other enterprises like the manufacture of essential drugs and of synthetic oil from coal; many Provincial and State Governments are also proceeding on similar lines.

7. There are certain basic industries of importance, apart from those mentioned in paragraph 4, the planning and regulation of which by the Central Government is necessary in the national interest. The following industries whose location must be governed by economic factors of all-India import, or which require considerable investment or a high degree of technical skill, will be the subject of Central regulation and control:—

(1) Salt.
(2) Automobiles and factors.
(3) Prime movers.
(4) Electric engineering.
(5) Other heavy machinery.
(6) Machine tools.
(7) Heavy chemicals, fertilisers and pharmaceuticals and drugs.
(8) Electro-chemical industries.
(9) Non-ferrous metals.
(10) Rubber manufactures.
(11) Power and industrial alcohol.
(12) Cotton and woollen textiles.
(13) Cement.
(14) Sugar.
(15) Paper and newsprint.
(16) Air and sea transport.
(17) Minerals.
(18) Industries related to defence.

The above list cannot obviously be of an exhaustive nature. The Government of India, while retaining the ultimate direction over this field of industry, will consult the Governments of the Provinces and States at all stages and fully associate them in the formulation and execution of plans. Besides these Governments, representatives of industry and labour will also be associated with the Central Government in the Industrial Advisory Council and other bodies which they propose to establish as recommended by the Industries Conference.

8. Cottage and small-scale industries have a very important role in the national economy, offering as they do scope for individual, village or co-operative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements. The healthy expansion of cottage and small-scale industries depends upon a number of factors like the provision of raw materials, cheap power, technical advice, organised marketing of their produce, and, where necessary, safeguards against intensive competition by large-scale manufacture as well as on the education of the worker in the use of the best available technique. Most of these fall in the Provincial sphere and are receiving the attention of the Governments of the Provinces and the States. The Resolution of the Industries Conference has requested the Central Government to investigate how far and in what manner these industries can be co-ordinated and integrated with large-scale industries. The Government of India accept this recommendation. It will be examined, for example, how the textile mill industry can be made complementary to, rather than competitive with the handloom industry, which is the country's largest and best organised cottage industry. In certain other lines of production, like agricultural implements, textile accessories, and parts of machine tools, it should be possible to produce components on a cottage-industry scale and assemble these into their final product at a factory. It will also be investigated how far industries at present highly centralised could be decentralised with advantage.

The resolution of the Industries Conference has recommended that Government should establish a Cottage Industries Board for the fostering of small-scale industries. The Government of India accept this recommendation and propose to create suitable machinery to implement it. A Cottage and Small-scale Industries Directorate will also be set up within the Directorate General of Industries and Supplies.

One of the main objectives will be to give a distinctly co-operate bias to this field of industry. During and before the last war, even a predominantly agricultural country like China showed what could be done in this respect, and her mobile industrial co-operative units were of outstanding assistance in her struggle against Japan. The present international situations is likely to lessen to a marked degree our chances of getting capital goods for large-scale industry, and the leeway must be made up by having recourse to small-size industrial co-operatives throughout the country.

9. The Government, however, recognise that their objective, viz., securing the maximum increase in production will not be realised merely by prescribing the respective spheres of the State and of private enterprise in industry, it is equally essential to ensure the fullest co-operation between labour and management and the maintenance of stable and friendly relations between them. A resolution on this subject was unanimously passed by the Industries Conference which was held in December last. Amongst other things, the resolution states :

" . . . The system of remuneration to capital as well as labour must be so devised that, while in the interests of the consumers and the primary producers, excessive profits should be prevented by suitable methods of

taxation and otherwise, both will share the product of their common effort, after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the under-taking."

Government accept this resolution. They also consider that labour's share of the profits should be on a sliding scale normally varying with production. They propose, in addition to the overall regulation of industry by the State, to establish machinery for advising on fair wages, fair remuneration for capital, and conditions of labour. They will also take steps to associate labour in all matters concerning industrial production.

The machinery which Government propose to set up will function at different levels, central, regional and unit. At the Centre, there will be a Central Advisory Council, which will cover the entire field of industry and will have under it committees for each major industry. These committees may be split up into sub-committees dealing with specific questions relating to the industry, e.g., production, industrial relations, wage fixation, and distribution of profits. The regional machinery under the Provincial Governments will be Provincial Advisory Boards which, like the Central Advisory Council, will cover the entire field of industry within the Province; they will have under them Provincial Committees for each major industry. The Provincial Committees may also be split up into various sub-committees dealing with specific questions relating to production, wage fixation and industrial relations. Below the Provincial Committees will come the Works Committees and the Production Committees attached to each major industrial establishment.

The Works Committees and the Production Committees will be bipartite in character, consisting of representatives of employers and workers only, in equal numbers. All other Committees will be tripartite, with representatives of Government, employers and workers.

Government hope that the machinery proposed will substantially reduce the volume of industrial disputes. In the case of unresolved conflicts, Government trust that management and labour will, in their own interests and in the larger interests of the country, agree to settle them through recognised channels of conciliation and arbitration, which will be provided by Government. The Industrial Relations Machinery, both at the Centre and in the Provinces, is being strengthened, and permanent Industrial Tribunals are being established for dealing with major disputes.

The Government of India are also taking special steps to improve industrial housing as quickly as possible. A scheme for the construction of one million workers' houses in ten years is under contemplation, and a Housing Board is being constituted for this purpose. The cost will be shared in suitable proportions between Government, employers and labour, the share of labour being recovered in the form of a reasonable rent.

In order to ensure quick decisions on the various matters arising out of the Industrial Truce Resolution, Government are appointing a special officer.

10. The Government of India agree with the view of the Industries Conference that, while it should be recognised that participation of foreign capital and enterprise, particularly as regards industrial technique and knowledge, will be of value to the rapid industrialisation of the country, it is necessary that the conditions under which they may participate in Indian industry should be carefully regulated in the national interest. Suitable legislation will be introduced for this purpose. Such legislation will provide for the scrutiny and approval by the Central Government of every individual case of participation of foreign capital and management in industry. It will provide that, as a rule, the major interest in ownership, and effective control,

should always be in Indian hands; but power will be taken to deal with exceptional cases in a manner calculated to serve the national interest. In all cases, however, the training of suitable Indian personnel for the purpose of eventually replacing foreign experts will be insisted upon.

11. The Government of India are fully alive to their direct responsibility for the development of those industries which they have found necessary to reserve exclusively for State enterprise. They are equally ready to extend their assistance to private or co-operative enterprise in the rest of the industrial field, and in particular, by removing transport difficulties and by facilitating the import of essential raw materials to the maximum possible extent. The tariff policy of Government will be designed to prevent unfair foreign competition and to promote the utilisation of India's resources without imposing unjustifiable burdens on the consumer. The system of taxation will be reviewed and readjusted where necessary to encourage saving and productive investment and to prevent undue concentration of wealth in a small section of the population.

12. The Government of India hope that this elucidation of their intentions on fundamental aspects of industrial policy will remove all misapprehensions, and they are confident that a joint and intensive effort will now be made by labour, capital and the general public, which will pave the way for the rapid industrialisation of the country.

GOVERNMENT OF PAKISTAN—STATEMENT OF INDUSTRIAL POLICY.

The Chamber's circular No. 353/1457 of 27th April, in which was set out the Government of Pakistan's Statement of Industrial Policy, is also reproduced, for purposes of record.

Introductory.—For some time now, the Government of Pakistan have had under consideration the various issues connected with the planning of industrial development in Pakistan and the formulation of industrial policy calculated to ensure the building up of a sound and healthy economy. They have examined, in particular, the recommendations of the Pakistan Industries Conference held in Karachi from the 13th to 17th December, 1947, at which all the Provinces and States of Pakistan were represented. The Government of Pakistan consider it to be in public interest now to announce the conclusions reached by them on various aspects of industrial policy, and thereby enable private enterprise to play its part in the industrial development of the country.

2. *Features of Pakistan economy.*—Pakistan is essentially an agricultural country, the bulk of whose people live and work in villages. Technical and technological institutions, research and analytical laboratories, and credit and service agencies, which one normally associates with an industrially developed country have yet to be organised.

The most striking feature of Pakistan's present economy is the marked contrast between its vast natural resources and its extreme industrial backwardness. A country producing nearly 75 per cent. of the world's production of jute does not possess a single jute mill. There is an annual production of over 15 lakh bales of good quality cotton, but very few textile mills to utilise it. There is an abundant production of hides and skins, wool, sugarcane and tobacco—to name a few of the important products, Pakistan's considerable resources in minerals, petroleum and power remain as yet

untapped. In laying down any policy of industrialisation, note has to be taken of these deficiencies and handicaps, and a concerted effort made to overcome them.

3. *Aims and objectives.*—These might be defined very broadly as an improvement in the standard of living of the people brought about by harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people by providing gainful and legitimate employment and by assuring freedom from want, equality of opportunity, dignity of labour and a more equitable distribution of wealth. Free play will be given to private enterprise and individual initiative, subject to the conditions mentioned hereafter. In framing their policy Government have been guided by the experience of other countries and their anxiety has been to avoid the evils which have attended industrial growth elsewhere.

4. In view of the predominantly rural economy of Pakistan, initial emphasis must perforce rest upon the reconstructions and development of agriculture and of industries based upon or connected with it; and on the promotion of medium and small cottage industries. But the development of large-scale industries essential to the security of the State, or its general prosperity, will also receive the utmost attention and encouragement. Pakistan would, therefore, seek in the first place to manufacture in its own territories the products of its raw materials, in particular jute, cotton, hides and skins, etc., for which there is an assured market whether at home or abroad. At the same time, to meet the requirements of the home market, efforts will be made to develop consumer-goods industries for which Pakistan is at present dependent on outside sources. Some of the heavy industries might have to come at a later stage of the industrial programme, but no opportunity would be lost to develop any heavy industry which is considered essential for the speedy achievement of a strong and balanced economy.

5. *Planning.*—In order to ensure the industrial development of Pakistan on sound lines, it is necessary that such development should be carried out according to a well defined and integrated plan. In preparing such a plan, due account will be taken of the resources and requirements of the country as a whole. These conditions can best be satisfied if the task of planning becomes, in a large measure, the responsibility of the Centre.

6. *Role of Centre and Provinces in industrial planning and development.* —Under the Government of India Act, 1935, the development of industries is a Provincial subject, but it is open to the Centre to declare by law that the development of certain industries under Central control is expedient in the public interest.

This arrangement is inherently defective and is ill-suited to the special requirements of an industrially under-developed State such as Pakistan. Industrial development is so bound up with fiscal policy that the two must be closely integrated. Then, again, the location of industry is, in these days, determined, by requirements of balanced regional development and strategic considerations. The Centre is in a better position to judge of these matters than the Provinces. Central control is also necessary to facilitate procurement and ensure equitable allocation among Provinces and States of machinery and raw materials in short supply.

For these and other reasons, it is proposed, in consultation with Provinces, to transfer "development of industries" from the Provincial Legislative List to the Concurrent Legislative List.

Similar considerations apply to regulation of mines and oilfields and development of minerals which are now within the Provincial sphere of activity. Provinces have already agreed, as an *ad-interim* measure, to refer

to the Central Government all cases in which extensions are asked for or new mining concessions sought. The Centre now proposes to formally take over, in consultation with the Provinces, power to regulate mines and oilfields and their development.

7. This does not mean that the Centre will assume exclusive jurisdiction in the matter of industrial planning. In fact, in accordance with the recommendations of the Pakistan Industries Conference it is proposed, for the present, to limit Central Planning mainly to the 27 industries listed in Appendix 1. Provinces would be closely associated with the Centre in the task of preparing the plans and, except for industries owned or operated by the Central Government, the implementation of plans would largely be their responsibility. Central planning would extend to the allocation of industrial units to Provinces, the location of such units within the Province being done in consultation with them. The Centre would assist in the procurement of capital machinery and plant from abroad and in the procurement and distribution of essential raw materials which are in short supply. The Centre will gradually build up machinery to ensure maintenance of proper production standards. It will prefer to exercise a general supervision over industrial development to ensure that the pace of progress is according to plan. In the field of technical education and training the Centre will co-operate with the Provinces. The Centre would also assume its share of responsibility in the encouragement of scientific and industrial research and act as a clearing house of information regarding industrial experiments and achievements in other countries.

To enable the Centre to discharge its responsibilities outlined above, the Government of Pakistan have recently set up a Development Board to co-ordinate development plans, Central and Provincial, so that the available resources are put to the best possible use ; to make recommendations regarding priorities among development plans and to keep watch on the progress of development schemes, in order to remove bottlenecks and difficulties in the way of uniform progress in all fields. A Planning Advisory Board has also been established, consisting of representatives of the Central Government, the Provincial Government and States, and of special interests such as industry, trade, banking, labour, etc., to advise Government generally on matters relating to planning and development, to review the progress made in the implementation of the plans, and to educate the public in regard to the necessity for various development schemes undertaken by the country. In pursuance of the recommendations of the Pakistan Industries Conference, industrial panels and committees have been established by the Central and Provincial Governments and the working out of detailed plans for various industries is in progress. It is hoped that as a result of the labours of these bodies the first phase of a seven years' development plan will emerge.

8. *Relation of State to industry.*—The next point for consideration is the relation of the State to industry, in particular the extent to which industries should be owned by the State and the nature and degree of Government control over private industry. There is general agreement that monopolies and public utilities are peculiarly suitable for nationalisation. Mention may be made of such industries as Communication Services like posts, telegraphs, telephones, wireless and broadcasting, and Transport Services like railways, all of which are already State managed. As regards the three remaining forms of transport—Road, River and Air—Government have already announced their policy with regard to Civil Aviation. In so far as road transport is concerned, many Provincial Governments have nationalised sections of such transport and propose nationalising the rest in due course. As regards river services, Government propose to leave them to private enterprise for the present, the question of their nationalisation being examined in the course of time. With regard to other industries,

Pakistan Government propose that for the present the following should be owned and operated by the State :

(i) Arms and ammunitions of war ;

(ii) Generation of hydro-power, and

(iii) Manufacture of railway wagons, telephones, telegraph and wireless apparatus.

The Government of Pakistan must, however, reserve their right to take over or participate in any other industry vital to the security or economic well-being of the State. Government might find it necessary, in the national interest, in the event of private capital not forthcoming in adequate measure for the development of any particular industry of national importance, to set up a limited number of standard units more as a means of attracting private enterprise than for any other object. "

9. An indication has already been given of the extent of Government control over industries which will remain privately owned. Government will be responsible for fixing of industrial targets, the location of industry and the allocation of materials in short supply. Government will also ensure that employers of labour maintain fair labour standards especially in matters of hours of work, wages, conditions of work and employment.

10. *Assistance to industry.*—It is not the desire of the Pakistan Government that their role in industrial development should be merely negative and regulative. On the positive side, Government would give all reasonable help for the establishment and development of private industry. Apart from the maintenance of peace and internal security, and the establishment of stable administration, which are the essential prerequisite of any economic development, Government will seek to create conditions in which industry and trade may develop and prosper. Pakistan's considerable resources of minerals and mineral oil will be surveyed and energetically exploited. Schemes for the development of the country's power resources are being worked out and their implementation will be accorded the highest priority. Plans for the improvement of the important ports of Karachi and Chittagong are in hand and steps are being taken to gear up the transport services to the maximum efficiency. Measures are also being taken to develop agriculture to increase the production of raw materials required by industry and to improve their quality. Government are rendering and will continue to render all assistance necessary for the procurement of capital goods and machinery and essential raw materials from foreign countries, for the development of scientific and industrial research and for obtaining facilities for technical education and training abroad.

Government have already expressed their intention to establish an Industrial Finance Corporation in order to assist industry. Detailed proposals are being worked out by a Committee of Legislature. So far as possible, Government will encourage Pakistan industry by buying its products in preference to products of others.

Provincial and State Governments already do and will continue to assist industrialists in the purchase of land required for factory sites and in the provision of electric power and other services. Some Provinces, notably Sind, have undertaken the development of large Industrial Trading Estates adequately served with communications power and with factory buildings constructed on the most progressive lines. Additional facilities would doubtless become available as a result of close co-operation between the Central, Provincial and State Governments on the one hand and private industry on the other.

11. *Tariffs.*—It is a well recognised practice of Governments to protect new and nascent industries against outside competition. The Government of Pakistan will always be prepared to give favourable consideration to claims for a reasonable measure of protection for industries established in Pakistan. Such claims will be subjected to examination by a Tariff Board, to be appointed as and when required.

12. *Taxation.*—Despite its stringent budgetary position, the Pakistan Government recognise that taxation policy should, as far as possible, mitigate the hazards to which new industrial projects are likely to be subject for some time to come and that a reasonable opportunity and level of profit should be allowed to those who take part in the industrial development of the country. Government have recently announced the following measure of taxation relief to industry :

(1) New industrial undertakings using power-driven machinery and employing more than 50 men in Pakistan would during the first five years be exempt from income-tax, super-tax and Business Profits Tax on so much of their profits as do not exceed 5 per cent. of the capital employed.

(2) Concession of allowance of initial special depreciation of 15 per cent. in respect of the year of erection of new buildings has been extended up to 31-3-1953.

(3) Initial special depreciation of 20 per cent. which was allowed only on new machinery and plant has been extended to machinery and plant which is brought into use for the first time in Pakistan even if it has been previously used elsewhere.

13. *Foreign capital.*—Pakistan would welcome foreign capital seeking investment from a purely industrial and economic objective and not claiming any special privileges. Participation of nationals of Pakistan must however be ensured, both in the administrative and technical services manning the industry, and training facilities should be provided to Pakistan nationals by concerns that wish to establish themselves in Pakistan. Where trading facilities, rather than establishment of an industry, are desired by foreign firms, subsidiaries should be registered in Pakistan. Subject to these conditions, foreign capital will be welcome so long as opportunities for participation of indigenous capital are provided and monopolies avoided. Government consider that in the national interest, nationals of Pakistan should ordinarily be given the option to subscribe at least 51 per cent. of all classes of share capital and debentures in the industries detailed below :

(i) Cement,
(ii) Coal,
(iii) Cotton spinning and weaving mills,
(iv) Fish canning and fish oils,
(v) Generation of electric power (other than hydro-electric),
(vi) Glass and ceramics,
(vii) Heavy chemicals and dyestuffs,
(viii) Minerals,
(ix) Preserved and prepared foods,
(x) Power alcohol,
(xi) Shipbuilding,
(xii) Sugar, and
(xiii) Tanning and leather.

With regard to other industries, an opportunity should normally be given to Pakistan nationals to subscribe at least 30 per cent. of all classes of share capital and debentures. But if, in either case, Government are satisfied that the requisite amount of indigenous capital is not forthcoming, the balance might, with their prior approval, be subscribed by foreign investors.

Apart from these conditions, which are necessary for the safety and political and economic well-being of the country, industries financed and controlled by nationals of other countries are assured of fair and just treatment. Government will allow facilities for the remittance of a reasonable proportion of profits to countries from which capital is drawn.

The policy of Government regarding petroleum and petroleum products is under consideration and will be announced hereafter.

14. *General.*—Government are fully conscious of the fact that State action alone, however beneficial or far-reaching it may be, will not usher in an era of intense industrialisation. Individual initiative and private enterprise must play their part if Pakistan is to succeed in building up a balanced economy. It is Government's firm belief that the policy they have now announced and the measures that will be taken in pursuance of that policy will help in the process. Government are confident that every section of the people will bend its energies and spare no effort to build up a progressive and prosperous Pakistan which will play a worthy part in the comity of nations.

APPENDIX "I."

List of Industries Subject to Central Planning.

1. Arms and munitions of war.
2. Cement.
3. Coal.
4. Electrical equipment—fans, lamps, motors, generators, transmitters and switchgears.
5. Generation of electric power—hydel and thermal.
6. Glass and ceramics.
7. Heavy chemicals industry—sulphuric acid, caustic soda, soda ash, fertilizers.
8. Heavy engineering industries for construction of aircraft, ships, locomotives, wagons, automobiles, agricultural machinery.
9. High temperature and high pressure reaction and carbonisation plants.
10. Iron and steel.
11. Machine tools.
12. Manufacture of telephones, telegraphs and wireless apparatus.
13. Marine fisheries.
14. Mineral industries.
15. Non-ferrous metals and alloys industry.
16. Paper and pulp.
17. Petroleum and mineral oils.
18. Power and industrial alcohol.

19. Pharmaceuticals and drugs.
20. Preserved and prepared foods.
21. Rubber manufacture.
22. Scientific instruments, gauges and precision tools.
23. Sugar.
24. Salt.
25. Tanning and leather.
26. Textiles—cotton, woollen, jute, silk and rayon.
27. Tobacco.

GOVERNMENT OF BOMBAY—INDUSTRIAL POLICY.

During May 1948, the Government of Bombay announced its industrial policy, the main features of which were :

(1) Establishment of an Industrial Finance Corporation.

(2) Development of Trading Estates in the immediate future.

(3) Introduction of a system of licensing for the promotion of orderly industrial development in the Province.

On the question of State ownership the Government of Bombay proposed to extend the scope of State enterprise to new undertakings in fields declared by the Central Government to be the exclusive responsibility of the State. In the remaining field, it would, in consultation with the Government of India, pursue the policy of progressive participation in industrial development, including the undertaking of industrial enterprises by and on behalf of the State and the exercise of such control as may be necessary from time to time. The Provincial Government accepted the principle of the management of State enterprises broadly free from Government control in the daily exercise of their powers, but ultimately accountable to Government and through it, to the public.

INDO-PAKISTAN AGREEMENT.

Mutual Supply of Essential Commodities.

Members were advised by this office circular No. 359/2122 of 18th June of an agreement concluded between India and Pakistan for the mutual supply of certain essential commodities. The agreement was signed in Karachi on 26th May by Mr. C. C. Desai for the Government of India and Mr. Mohamed Ali for the Government of Pakistan and was approved by both Governments. Its terms are as follows :—

Text of Agreement.

" The representatives of the Government of India and the Government of Pakistan having considered the requirements of essential commodities

which each Dominion needs from the other have, subject to ratification by their respective Governments, agreed as hereunder :

(1) The quantities of each commodity which each Dominion undertakes to make available to the other are stated in Annexures I and II. The annexures also indicate the demands made by each Dominion in respect of each commodity and special features, if any.

(2) Apart from the commodities listed in the Annexures I and II it was agreed to show the maximum consideration in facilitating the export of goods from one Dominion to the other. It was agreed that imported goods which had been shipped and paid for in either Dominion before the 31st December 1947 out of the undivided exchange account will be allowed to be re-exported to the other Dominion wherever it is established that the goods were originally intended for consumption in that Dominion.

(3) The period of the agreement will be one year from 1st July 1948 to the 30th June 1949 except as regards—

(*a*) raw cotton and cotton textiles for which the agreement shall cover the period from 1st September 1948 to 31st August 1949 ; and

(*b*) foodgrains for which the agreement will be for the period 1st June 1948 to 31st August 1949.

(4) With such exceptions as may be mutually agreed upon, supplies will ordinarily be made through commercial channels. Commodities which are not subject to *any* control either internally or for export present no problems. In the case of commodities which are not subject to internal control, but are subject to export control, the supplying Dominion shall issue necessary export licences in such a manner that the export of the agreed quantities will be facilitated. In respect of commodities which are subject to internal as well as export control, the supplying Dominion shall either supply on a Government-to-Government basis or make specific allocations in conformity with their internal control as well as issue export licences.

(5) In regard to raw jute, India agrees to restrict her exports of raw jute from the Indian Dominion to 9 lakhs of bales predominantly of the Indian varieties the bulk of which is not suitable for use in Indian mills and is usually exported.

(6) It is agreed that neither Dominion will re-export to any country any commodity imported from the other Dominion in the form in which it was imported.

(7) Pakistan agrees to supply foodgrains to India at the same rate as is charged for supplies to its own deficit Provinces. India agrees to supply steel f.o.b. Calcutta at f.o.b. Calcutta prices. The freight will be borne by the buyers. India also agrees that the internal controlled price of coal and paper will continue to be charged for sales to Pakistan also. Supplies of coal to the Government of Pakistan will be paid for out of irrevocable credits to be opened by the Pakistan Government. Other supplies of coal to Pakistan will be made on prepayment by the purchasers in the usual manner. The prices indicated are exclusive of any export or import duties that may be levied by either Dominion.

(8) It was agreed that subject to seasonal considerations each Dominion should spread its purchases as uniformly and conveniently as possible.

(9) In order to implement the Agreement in a smooth and orderly way, it was agreed that monthly progress reports should be exchanged between the two Dominions, and that meetings between representatives of the two Dominions should be held every other month for this purpose.

(10) During the currency of this Agreement items may be added to or taken away from the lists of commodities included in the annexures by mutual agreement between the two Dominions.

ANNEXURE No. I.
Requirements of Pakistan.

Serial No.	Commodity.	Pakistan's stated annual requirements.	Quantity agreed to by India.	Remarks.
(1)	(2)	(3)	(4)	(5)
1	Coal	3,400,000 tons.	1,83,000 tons per month (including as far as possible 5,000 tons of hard coke).	1,60,000 tons per month are firm. As for the balance of 23,000 tons India will make every effort to move this quantity subject to adequate transport being available and will also invite the co-operation of Pakistan in this matter.
2	Cloth and yarn ..	4,00,000 bales.	4,00,000 bales.	One-fourth of this total quantity would be in the form of yarn.
3	Steel, pig iron and scrap.	3,13,720 tons.	15,000 tons per quarter plus 1,000 tons per quarter of corrugated iron sheets plus 4,000 tons of pig iron per quarter.	
4	Paper and board ..	20,780 tons.	6,000 tons of paper and 1,500 tons of board.	
5	*Chemicals and Pharmaceuticals :*			
	Sulphuric acid ..	2,000 tons.	....	Will be examined in Delhi.
	Aluminium sulphate	2,000 tons.	....	Will be examined in Delhi.
	Hydrochloric acid..	270 tons.	270 tons.	
	Nitric acid	200 tons.	200 tons.	
	Magnesium sulphate	800 tons.	800 tons.	
	Ferrous sulphate ..	400 tons.	....	Will be examined in Delhi.
6	Copper wire	1,000 tons.	*Nil.*	
7	Asbestos cement sheets.	5,000,000 sq. ft. (5,000 tons).	2,500 tons.	As regards the balance India will explore possibility of supplying Mangalore tiles instead.
8	Paints, enamels and varnishes.	2,500 tons.	2,500 tons.	Detailed breakdown not yet furnished. While the overall quantity could be supplied, certain quantities may not be available and substitutes would be suggested.
9	Railway stores ..	39.3 lakh rupees.	....	Supplies may be available but details will be considered in Delhi.
10	Tyres and tubes ..	1,800,000 Nos.	....	It should be possible to supply most of this requirement but detailed breakdown according to tyre size and quality required. Matter will have to be examined.
11	*Leather and Footwear :*			
	Upper leather ..	60,00,000 sq. ft.		It should be possible to meet this demand in full provided adequate quantities of hides are available.
	Sole leather	75,00,000 lbs.		
	Lining leather ..	4,00,000 lbs.		
	Leather shoes ..	6,00,000 Nos.		
	Canvas for 3,00,000 shoes.	....		

Serial No.	Commodity.	Pakistan's stated annual requirements.	Quantity agreed to by India.	Remarks.
(1)	(2)	(3)	(4)	(5)
12	Hardwood	5,00,000 c. ft. (10,000 tons).	*Nil.*	India offered to supply instead 10,000 tons of Malabar jungle wood of which samples would be furnished to Pakistan.
13	Jute manufactures ..	50,000 tons.	50,000 tons.	
14	Myrabollams	2,000 tons.	2,000 tons.	
15	Woollen and worsted goods.	11,00,000 lbs.	11,00,000 lbs.	
16	Mustard oil	50,000 tons.	20,000 tons.	
17	Groundnut oil	30,000 tons.	5,000 tons.	
18	Copra oil	6,000 tons.	*Nil.*	
19	Seed potatoes	....	....	Export would be allowed of local surpluses in both Dominions.
20	Soap, toilet	2,000 tons.	2,000 tons.	
21	Tobacco (flue-cured) ..	7,00,000 lbs.	7,00,000 lbs.	
22	Tea *chests*	3,00,000 pieces.	....	The demand was put forward only in Karachi for the first time. Stated to be urgently required for the tea industry in East Bengal. Will be considered in Delhi.

ANNEXURE No. II.

Requirements of India.

Serial No.	Commodity.	India's stated annual requirements.	Quantity agreed to by Pakistan.	Remarks.
(1)	(2)	(3)	(4)	(5)
1	Raw jute	1,000,000 tons or 5,500,000 bales.	5,000,000 bales.	
2	Raw cotton	9,00,000 bales.	6,50,000 bales.	The proportion of medium and long-staple cotton to be decided later.
3	*Foodgrains :* (*a*) Rice .. .. (*b*) Wheat	1,00,000 tons. 2,00,000 tons.	1,75,000 tons.	Pakistan agrees to supply 1,75,000 tons of foodgrains (mainly rice) unless there is a serious failure of crop, that is to say, if the rice crop is 4 annas or more below the average of past five years. Pakistan further agrees to do its best to improve upon this quantity.

Serial No.	Commodity.	India's stated annual requirements.	Quantity agreed to by Pakistan.	Remarks.
(1)	(2)	(3)	(4)	(5)
4	Gypsum	1,000 tons per day.	Rising to 1,000 tons per day under a programme to be mutually agreed upon.	
5	Rosin	4,000 tons.	*Nil*	
6	*Raw hides and skins :*			
	(*a*) Cow hides ..	2,000,000 pieces.	1,000,000 pieces.	
	(*b*) Buffalo hides ..	5,00,000 pieces.	2,00,000 pieces.	
	(*c*) Skins	1,500,000 pieces.	1,500,000 pieces.	
7	Rock salt	2,000,000 mds.	2,000,000 mds.	
8	Soda ash	10,000 tons.	....	Factory is at present closed but is expected to get into normal production by end of 1948. It is hoped to meet India's demand in 1949.
9	Potassium nitrate ..	5,000 tons.	5,000 tons.	
10	Cattle	1,050 heads.	550 heads.	

In order to facilitate the proper fulfilment of the Agreement mentioned above, a further Agreement was concluded in Karachi on 20th October between the representatives of the Governments of India and Pakistan, the particulars of which are reproduced for purposes of record :—

Agreement.

In order to facilitate proper fulfilment of the Agreement entered into between the two Dominions at Karachi in May 1948, the Delegations of the two Dominions have, after full discussion, agreed, subject to ratification by the respective Governments, on the following clarifications and arrangements.

Cotton.—The Indian Delegation stated that the fixation of monthly quotas for the supply of cotton with a lapsing clause was not acceptable and should be reviewed. The representatives of the Pakistan Government agreed to fix an export quota of 360,000 bales for India for the period ending 31st January 1949, provided that if Indian purchases during the period fell below 325,000 bales such shortfall will be liable to lapse. The Pakistan Government representatives agreed that export quotas to other countries and purchases by them for internal consumption in Pakistan will not together exceed 360,000 bales during the same period. Pakistan representatives further agreed that consideration of fixation of quotas on a monthly or quarterly basis for subsequent periods be postponed and examined in due course by prior consultation in the light of working of this arrangement as a whole.

Foodgrains.—At the concern expressed by the Government of India at the inability of Pakistan to supply foodgrains as a result of unexpected floods during the current crop season, the representatives of Pakistan assured the Indian Delegation that they were most anxious to implement the Agreement and that they would make their best endeavours to supply the stipulated quantity of foodgrains from their next *rabi* crop.

Coal.—Pakistan's representatives emphasised their inability to move cotton without supply of coal from India. They stated that hitherto they have not received the full quantity which India had promised to supply.

At the same time, Pakistan appreciated the difficulties which India had to encounter in supplying the full quantity of coal. The Indian Delegation assured the representatives of Pakistan that realising the importance of coal to Pakistan, they would take steps to ensure that full quantity of coal is supplied every month.

Other commodities.—The representatives of Pakistan stated that nothing had been received from India against the quotas of steel, asbestos cement sheets, sulphuric acid, tyres and tubes, etc.

The Indian Delegation reiterated that they have every intention of fulfilling the terms of the Agreement. In this connection the Indian Delegation agreed that steel would be supplied on f.o.b. Calcutta basis as contemplated in the Inter-Dominion Agreement.

Jute.—Both parties agreed that there was no occasion to change the existing policy in regard to export of jute to India. It was further agreed that, should circumstances otherwise warrant, India will be consulted before any change is effected. At any rate, no change will be effected till the 31st December 1948.

Cloth.—The Indian Delegation agreed that they would make arrangements which would enable Pakistan to obtain regular supplies of cloth to Pakistan from India. The exact details of the arrangement will be settled at an early date by mutual consultation.

General.—Both Governments recognise that the Agreement must be regarded as a whole and implemented in full; and for this purpose the arrangements for the export of commodities concerned must be devised in such a manner as to satisfy both Governments that the goods would move in accordance with the terms and intentions of the Agreement.

CENTRAL ADVISORY COUNCIL OF INDUSTRIES.

In accordance with the announcement in the Government of India Resolution on Industrial Policy, dated 6th April 1948, the Central Government decided to constitute a Central Advisory Council of Industries to assist Government in securing the maximum increase of industrial production and to advise them on specific questions relating to industry.

SIR SHANKAR LALL (Chairman of the Punjab Chamber of Commerce and a Deputy President of the Associated Chambers of Commerce of India) was nominated to represent the Associated Chambers on the Council.

Government's resolution No. I-4(1)/19/48 of 2nd September, pertaining to the constitution and functions of the Advisory Committee read as follows :—

"In accordance with the announcement in the Government of India Resolution on Industrial Policy, dated the 6th April 1948, the Central Government have decided to constitute a Central Advisory Council of Industries to assist Government in securing the maximum increase of industrial production and to advise them on specific questions relating to industry. This Council will be constituted as follows :—

(1) The Minister for Industry and Supply (*Chairman*).

(2) Seven representatives of the Government of India, one each from the Ministries of Commerce, Finance, Labour, Railways and Works, Mines and Power, and two from the Ministry of Industry and Supply.

(3) Four members of the Constituent Assembly (Legislative) chosen from the Standing Advisory Committees attached to the Ministries of Industry and Supply (two), Commerce (one) and Labour (one).

(4) Nine representatives, one from each of the Provinces of Assam, West Bengal, Bihar, Bombay, Central Provinces, East Punjab, Madras, Orissa and the United Provinces.

(5) Five representatives of the major States or Unions of States, as decided from time to time by the Government of India.

(6) One representative of the Federation of the Indian Chambers of Commerce and Industry.

(7) One representative of the Associated Chambers of Commerce of India.

(8) One representative of the All-India Manufacturers' Organisation.

(9) Six representatives of labour.

(10) Twenty-eight representatives of the following major industries :—

Two representing coal, two iron and steel, three cotton textiles, and one each of the following industries :—

1. Shipbuilding.
2. Automobiles.
3. Machine tools.
4. Electrical engineering.
5. Structural engineering.
6. Mechanical engineering.
7. Basic chemicals.
8. Fine chemicals and pharmaceuticals.
9. Non-ferrous metals.
10. Cement.
11. Sugar and power alcohol.
12. Paper.
13. Glass and ceramics.
14. Jute.
15. Soap.
16. Leather and leather manufacture.
17. Rubber manufacture and plastics.
18. Woollen textiles.
19. Silk textiles.
20. Tobacco.
21. Vanaspati and processed foodstuffs.

(11) Not more than five members selected by the Government of India to represent industries or interests not otherwise represented.

2. The Council will have the following functions :—

(1) to advise Government generally on industrial policy ;

(2) to review periodically production in the major industries of the country and to advise Government on steps to be taken to secure the best use of existing capacity ;

(3) to advise Government on the allocation of raw materials in scarce supply ;

(4) to advise Government on the import of capital equipment and raw materials needed by industry ; and

(5) to deal with specific problems which might be placed before the Council by the Government from time to time.

The Council will appoint Committees to deal with major industries and with specific problems.

The Governments of Provinces and States not represented on the Council will be kept informed of the transactions of the Council and will be invited to depute representatives to participate in the proceedings whenever this is considered desirable."

POWERS OF ATTORNEY—PAKISTAN.

In March 1948 the attention of the Chamber was drawn to a question whether the Government of Pakistan would or would not recognise Powers-of-Attorney, drawn prior to 14th/15th August 1947, with the geographical applications (*a*) India and (*b*) India and Indian States, as being applicable to Pakistan. The question also related to powers required to be drawn after 14th/15th August 1947, for operation in Pakistan under Powers-of-Attorney drawn before that date, but bearing either of the words mentioned.

This matter was referred to the Karachi Chamber of Commerce and from their reply it appears that the Government of Pakistan will recognise a Power-of-Attorney granted to an Agent in the territories now comprising Pakistan, and executed under the powers in the Executor by a Power-of-Attorney extending to the whole of the territories forming or comprising British India and/or Indian States, provided the Power-of-Attorney was executed before 15th August 1947. It was contended that, after 15th August 1947, the Power-of-Attorney, which did not contain specific mention of Pakistan as being included within its territorial limitations, could not be considered to have the power of appointment of substitutes or Agents in Pakistan.

It was subsequently established in Karachi that a Power-of-Attorney would be accepted as a valid document by the Government of Pakistan provided it fulfilled the following two conditions :

(*a*) it has been attested before a Notary Public.

(*b*) it has been registered with the Registrar of Documents, Karachi.

VISIT TO THE CHAMBER OF MR. D. G. MULLEKAR, INDIAN GOVERNMENT TRADE COMMISSIONER-DESIGNATE TO JAPAN.

MR. MULLEKAR visited the Chamber on 8th June 1948 for the purpose of discussing with representatives of the Chamber matters relating to trade between India and Japan.

Mr. Mullekar informed the meeting that one of his first duties would be to prepare a list of commodities which India was in a position to export to Japan and to obtain from the S.C.A.P. authorities a list of commodities which Japan could export to India. He expressed the opinion that normal business relations could only be established after the peace treaty with Japan had been signed by the Allied Powers. In the meantime the financial arrangements are that payments to Japan will be

made in sterling and that every six months a balance will be struck and what is due will be payable in sterling, which in turn will be convertible.

Mr. Mullekar went on to say that he was interested in finding out what opportunities existed for introducing Indian banking, shipping and insurance interests in Japan during the period of occupation and he would also study Japan's system of small-scale industries with a view to seeing whether such systems could not be made to work in India.

In reply to a question, Mr. Mullekar considered that there would be free trade in all those articles which would be on the list, which he hoped would be finalised and made available to the public within a few months.

Details of Japan's export target, with particular reference to the question of imports into India of piecegoods and yarns, would be furnished by him to the Government of India at the earliest possible date. He added that the question of Japan competing with India in foreign markets could only be considered after figures of Japan's productive capacity and likely surplus became available.

VISIT TO BOMBAY OF MR. L. K. JHA, CHIEF CONTROLLER OF EXPORTS.

On Saturday, 25th September 1948, representatives of the Chamber had an opportunity of meeting MR. L. K. JHA, the Chief Controller of Exports. The following points were discussed:—

1. *Exports of paints with pigment content less than 50 per cent. by weight.*—Mr. Jha was told that Public Notice No. 1819 of 1st September prohibited the export from Bombay of paints with pigment content less than 50 per cent. by weight. It was pointed out to him that many enamels, e.g., black and signal red, contained only one pound of pigment and often less, per gallon of medium weighing approximately 9 lbs. Mr. Jha said he was not altogether sure why this embargo had been introduced but the intention behind it was presumably to prevent the fraudulent export of linseed oil lightly pigmented. While there may be some force in this argument it was contended that this rule penalised exporters who did legitimate business, and Mr. Jha was asked to look into this matter.

Another matter raised concerned the export of paints and varnishes. Under Public Notice No. 1756 exporters were notified that a quota of 1,580 tons had been earmarked for distribution amongst *bona fide* manufacturers of this article for export to destinations other than Pakistan. On being asked why Pakistan was excluded, Mr. Jha said that Pakistan had its own quota. He went on to state that both lead and zinc which were important elements in paints and varnishes, were in short supply, and it was therefore necessary for the Ministry of Industries and Supply to control their export. Mr. Jha was informed that the whole of this quota could quite easily be utilised for Pakistan alone. In reply to an enquiry as to whether Pakistan's quota should be included along with those for other destinations, Mr. Jha was informed that it would be preferable to keep it separate.

2. *Export of manganese ore.*—Consideration was given to the Government of India's recent notification reimposing control on the export of manganese ore. Mr. Jha stated that the reimposition of control was necessary for the following reasons :—

(1) It was found that licences were being issued without any check on the availability of railway wagons from mines to port of shipment.

(2) Exporters were entering into commitments with overseas buyers without definitely knowing that supplies were going to be available.

(3) It was the policy of the Government of India to direct supplies of manganese ore to those countries which were in a position to give India commodities which she in turn needed.

Mr. Jha stated that although control had been reimposed instructions had been issued to the appropriate authorities that where stocks of ore had been moved from the mines to the ports, exporters should be permitted to complete the shipment. The important point was the destination of the ore. Mr. Jha added that it was Government's intention to give every assistance to those exporters who had already entered into contracts, but he could give no guarantee that permits would be issued for those countries which were not in a position to give India the kind of goods she was in need of. The Government of India, he said, were particularly anxious that exports should be directed to the U.K., U.S.A. and the U.K./U.S.A. Zone in Germany and other hard currency areas including Japan, as manganese ore would provide India with badly needed dollars.

As regards pyrosulite which was sold in small quantities, Mr. Jha suggested that all applications be submitted to him.

3. *Export licences and allocation of quotas for oils and oilseeds.*—Considerable discussions took place in regard to the delays in issuing export licences and the allocation of quotas for oils and oilseeds. Mr. Jha was told that not only was the delay in the issue of licences responsible for overseas buyers becoming impatient and turning elsewhere for their requirements but the allocation of quotas was also unsatisfactory. Quotas were, in several instances, being issued for very small quantities with the result that buyers were obliged to deal with several parties before they could get their requirements in full. This, it was pointed out, was very unsatisfactory from the buyer's point of view. Added to that was the high incidence of export duty which was forcing buyers to turn elsewhere for their supplies. It was suggested to Mr. Jha that if applications and quotas could be dealt with more speedily, there was the possibility that prices would find their own level. He was reminded that India had lost her markets in castor seed and castor oil to Brazil. The position in regard to linseed was unsatisfactory inasmuch as the entire Middle East was now looking to Turkey for supplies and even Australia was making arrangements to grow sufficient for their own needs. Mr. Jha enquired whether the Chamber would kindly give him a memorandum setting out their suggestions regarding :

(*a*) Government's licensing policy.

(*b*) Quota allocation.

(*c*) Export Duty.

4. *Export of Mathias cotton to Japan.*—Mr. Jha was asked why the export of Mathias cotton which was permissible to other destinations had been banned to Japan. He replied that negotiations were at present in progress in regard to future trade between India and Japan and that an early announcement in regard to the export of Mathias cotton to Japan might be expected.

5. *Delays in publishing export quotas of piecegoods for July/December, 1948 period.*—In reply to a question concerning the delay in the issue of licences for piecegoods for the July/December 1948 period Mr. Jha said that exports for the January/June period were moving very slowly and, moreover, the export quotas for this period had been extended up to 30th November, 1948.

VISIT TO THE CHAMBER OF THE JAPANESE TRADE DELEGATION.

Reproduced for the purposes of record is Circular No. 350/1804 dated 22nd May which was issued to all members concerning the visit to the Chamber of the Japanese Trade Delegation.

1. The President welcomed the delegation and thanked them for giving the Committee an opportunity of meeting them. He then asked Mr. Eaton, the leader of the delegation, to give the Committee some idea of present-day conditions in Japan as affecting commerce and industry and the possibility of opening up trade between India and that country.

2. At the outset Mr. Eaton made it clear that the Occupation Authorities in Japan were anxious to build up private trade for the purpose of restoring the economic status of the country. There were, however, he said, two obstacles in the way of the expansion of private trade, namely, (1) there was no exchange rate for the yen with any other currency and (2) the final Peace Treaty had not been agreed upon. Mr. Eaton then went on to explain the manner in which overseas business is conducted in Japan. He stated that a private trader was free to go to any part of Japan and discuss with manufacturers points relating to the export and marketing of the goods which he sought to purchase. After having satisfied himself, the next step was for the private trader to get in touch with the Japanese Board of Trade with whom he must sign a contract which in turn would have to be validated by S.C.A.P. Mr. Eaton stated that in regard to machinery, Japan was in a position to ship various types of machinery but at the present time this could not be done as it was not known what specific types of machinery India required. He pointed out that the Government of India had now decided to appoint a Trade Commissioner in Japan and expressed the belief that the Trade Commissioner would be of great assistance in promoting trade between the two countries inasmuch as he would be able to present India's requirements and, in time, would be able to advise Indian importers of the types of goods that were available for export from Japan.

3. In reply to a question Mr. Eaton stated that Japan had not agreed to take raw cotton from India, as the types of cotton which were available for export were not what Japan needed. He stated, however, that Japan was negotiating for the purchase of 14,000 tons of jute and that the Government of India had recently agreed to purchase 100,000 spindles from Japan in return for 30,000 tons of coke and coal.

4. On being asked how trade with India would be financed, Mr. Eaton explained that trade with Japan was not exactly on a barter basis and that what the Occupation Authorities were trying to do was to build up a sterling balance. For the time being all financial transactions were being conducted in sterling and every six months a balance would be struck and what was due would be payable in sterling which in turn would be convertible. The President asked Mr. Eaton whether any private trading was possible at this end to which Mr. Eaton replied that this was now being arranged and it would be possible henceforth for private dealers to negotiate their own business but everything would have to be done through S.C.A.P. at the other end.

5. On the question of ports Mr. Eaton stated that most shipments to-day were done through Kobe where facilities for the handling of import and export cargo were fairly good. Yokohama was open but was used mainly for the maintenance of the Occupation Forces. Osaka was not open to normal trade and underwriters were not accepting business for that port. Pilferage at Japanese ports was not serious and Mr. Eaton stated that soon after unloading the goods were removed to covered warehouses from where they were put into wagons and railed to interim warehouses where they awaited distribution orders from S.C.A.P. In regard to export cargo the delegation stated that packing was more of less up to pre-war standards.

6. The delegations was then asked for information regarding production facilities, particularly in regard to rayon yarn, rayon cloth, cotton yarn and cotton cloth. Assuming that the 1939 production basis equalled 100 the delegation stated that present-day production would equal 10 only.

In regard to the question of prices Mr. Eaton stated that it was not practicable to make any comparison between pre-war prices and prices ruling to-day, as present-day prices bore no relation to cost simply because there was no established exchange rate for the yen. Japanese export prices to-day were based on world prices and this would continue until such time as ways and means were evolved to fix an exchange rate. In this connection Mr. Eaton stated that with a view to fixing their prices on the basis of world prices recommendation was usually made by Japanese manufacturers and these in turn were validated by S.C.A.P.

As regards electrical goods such as fans, motors and meters, the delegation stated that Japan was in a position to export meters and motors of various types and motor turbines.

As the delegation had to fulfil another engagement the President closed the meeting and thanked them for giving the Chamber an opportunity of having a discussion with them.

VISIT TO THE CHAMBER OF MR. G. P. PILLAI, INDIAN GOVERNMENT TRADE COMMISSIONER-DESIGNATE TO AUSTRALIA.

On the 6th October 1948 Mr. G. P. Pillai, Indian Government Trade Commissioner-Designate to Australia, met representatives of the Chamber for the purpose of discussing matters pertaining to trade between the two countries.

In his opening remarks Mr. Pillai stated that there was a good deal of scope for improving trade between the two countries and mentioned that whereas in 1938-39 India's trade with Australia amounted to 3.27 million pounds (Australian) the figure for 1947-48 had shot up to 26 million pounds. He added that up to a short while ago the balance of trade was definitely in favour of India but this favourable balance had gradually been decreasing and to-day it stood in favour of Australia. The change in this position was due largely, he thought, to the large shipments of wheat which Australia had sent to India and the fact that there had been a decided fall in the exports of piecegoods from India.

Mr. Pillai then referred to the three principal exports to Australia from the West Coast of India, namely, piecegoods, linseed and linseed oil. He enquired whether the Chamber had any suggestions to make with a view to maintaining Indian markets in Australia, and was told that in regard to piecegoods the decline in exports for the January/June period could be attributed to two factors :

(1) the Central Government's decontrol policy had forced up prices considerably ; and

(2) the Government of India's decision to impose a 25 per cent. export duty.

Both these factors combined made business with Australia extremely difficult. In the meantime both China and Japan had entered the piecegoods market and were prepared to sell at prices lower than India could offer. The position to-day was that with the reimposition of control the trade was waiting to see what prices Government were going to fix.

In regard to the export of linseed and linseed oil, Mr. Pillai was apprised of the correspondence and representations which the Chamber had already made to Government in this matter.

VISIT TO THE CHAMBER OF MR. L. R. S. SINGH, INDIAN GOVERNMENT TRADE COMMISSIONER IN PAKISTAN.

Representatives of the Chamber met MR. SINGH on Monday, 29th November 1948, for the purpose of discussing matters relating to trade between India and Pakistan. In opening the proceedings of the meeting, the Vice-President, who presided, stated that members were experiencing difficulties in trading with Pakistan, and although there was a demand in Pakistan for certain types of goods from India, exporters were unable to obtain export permits. As an example, the Vice-President mentioned that two member firms, who had outstanding orders for paints, were unable to fulfil them for want of an export licence, and another member firm was unable to obtain an export permit for the shipment of tyres and tubes to Pakistan. In regard to the former, it was pointed out that there was no indigenous paint industry in Pakistan and there was a large demand for paints particularly from the Pakistan Railways and Public Works Department. While there was a fairly large demand in India for indigenous manufactured paints, there was still a surplus which was available for export. Mr. Singh was asked whether he would kindly enquire from the Chief Controller of Exports what the position was in regard to the export of paints and this he promised to do.

As regards the export of tyres and tubes, it was mentioned that manufacturers had been given a limited export licence for a substantial quota to any destination, except South Africa. Moreover, in accordance with the Trade Agreement, which was ratified by both Governments in May last, tyres and tubes were included in the list of items which were to be exchanged between the two countries. The position to-day was that there was an exportable surplus, but permits were not available. Up to the time of partition, and even before the present restrictions were enforced, West Pakistan normally drew its requirements of tyres and tubes from Bombay and there seemed to be no good reason why restrictions should now be imposed, particularly when there was an exportable surplus. Mr. Singh promised to take this matter up with the Deputy Chief Controller of Exports in Bombay, from whom the tyre manufacturers were unable to get any reply.

The next item raised referred to the difficulty experienced by a member in regard to the import by its Karachi Office of certain goods which were covered by an import licence held by the head office in Bombay. It was reported that the Collector of Customs, Bombay, had refused to issue a telegraphic release order to Karachi, with the result that the branch office were unable to obtain a refund of the penalty which was levied on them in the absence of an import licence. Mr. Singh regretted that this matter was outside his jurisdiction and he was not, therefore, able to assist.

A member then referred to the imports into Karachi of certain Diesel engines for which spare parts were supplied from Bombay. He said his firm had been unable to obtain a permit to despatch the spare parts from Bombay to Karachi, and that many of these engines would be put out of use in the absence of the necessary spares. Mr. Singh said that if he were given full particulars, he would see what could be done in the matter.

Mr. Singh explained that in the six weeks that he had been in Karachi, most of his time had been taken up in persuading the Pakistan authorities to release goods which had been held up in Karachi and which were intended for India. It was understood that the total value of the goods was in the region of 6 to 7 crores of rupees. Apart from such goods, there were also a certain number of goods which were intended for Kashmir State which were being held by the Pakistan authorities. In regard to the former, Mr. Singh mentioned that the Government of India had decided to extend the final date of shipment from 30th September to 31st December 1948, and he was, therefore, doing his best to complete shipping arrangements before that date, or else importers would be obliged to pay import duty on arrival of the goods at Indian ports.

In conclusion, members expressed the view that, as far as possible, there should be free trade between the Dominions and hoped that it would not be long before the existing restrictions would be lifted.

It was subsequently announced that the final date for shipment had been extended to 31st March 1949.

VISIT TO THE CHAMBER OF THE INDIAN GOVERNMENT TRADE COMMISSIONER-DESIGNATE TO BURMA.

On Friday, 13th August, representatives of the Chamber met MR. NARAVANA, Indian Government Trade Commissioner-designate to Burma. Mr. Naravana was informed that members who had trading interests with Burma were concerned at that Government's nationalisation policy and the matter of compensation to those whose interests had been nationalised. Some discussion took place on the difficulties experienced by importers in Burma in getting licences and the fact that the majority of the licences were being given to merchants who were not familiar with the type of goods covered by the licences. Mr. Naravana promised to enquire into this.

VISIT TO THE CHAMBER OF THE CZECHOSLOVAKIAN TECHNICAL MISSION.

On Monday, 5th July, representatives of the Chamber had an opportunity of meeting the Czechoslovakian Technical Mission which consisted of the following members: MR. R. RUBESKA (*Leader*), MR. K. REJF and MR. G. A. SHERL.

Mr. Rubeska said that the Mission had come to India with a view to ascertaining the country's needs in all kinds of machinery with particular emphasis on capital plant. He said that production in Czechoslovakia was more or less on a pre-war level although for the heavier type of plant the delivery period was from 20 to 24 months. As regards textile machinery he stated that the value of manufactured machinery was in the region of Rs. 7 crores, out of which 50 per cent. was available for export.

Concerning the mode of payment, Mr. Rubeska said that payment would be accepted in sterling. A general discussion followed in regard to the existing industrial conditions in Czechoslovakia when the Mission intimated that most industries were now nationalised.

ASSOCIATED CHAMBERS OF COMMERCE OF PAKISTAN.

Consequent upon the setting up of the independent Dominions of India and Pakistan those Chambers of Commerce located in Pakistan formed themselves into an Association as from 1st September 1948 to be known as The Associated Chambers of Commerce of Pakistan. The original members of this Association are :

The Chittagong Chamber of Commerce.
The Karachi " " "
The Narayanganj " " "
The West Punjab and N.W.F.P. "

The first President and Secretary are the Chairman and Secretary for the time being of the Karachi Chamber of Commerce.

All the abovementioned Chambers of Commerce have accordingly resigned their membership of the Associated Chambers of Commerce of India.

FEDERATION OF CHAMBERS OF COMMERCE OF THE BRITISH EMPIRE.

SIXTEENTH CONGRESS, JOHANNESBURG.

The Sixteenth Congress of the Federation of Chambers of Commerce of the British Empire took place during September at Johannesburg. Some of the subjects that were due for discussion were :

1. The development and the employment of the skill of African peoples within the economy of the British Empire moved by the Johannesburg Chamber of Commerce.

2. Multilateral trade, as opposed to bilateral trade, as the only basis of substantial International Trade.—London Chamber of Commerce.

3. The movement of entire industries, with their workers, to the Dominions no solution to the United Kingdom's economic problems.—London Chamber of Commerce.

4. British manufacturers as a whole are still unable to quote firm prices for forward delivery, and include in their quotations a stipulation that all prices quoted are subject to prices ruling at the time of delivery.—Durban Chamber of Commerce.

5. Trade barriers. An investigation to be made into the difficulties between other members of the sterling group and South Africa, with a view to removing present trade barriers.—Cape Town Chamber of Commerce.

6. Japanese Competition.—(Executive Committee of the Federation of Chambers of Commerce of the British Empire.)

In addition to the above, subjects relating to Imperial Social Relations and Problems, International Payments, Communications and the Economic Development of the Colonial Empire would also be discussed during the Congress session.

Constituent Chambers were asked to submit nominations for the representation of the Associated Chambers at the Congress and the undermentioned gentlemen were duly nominated.

MR. H. ROWAN HODGE (Orr Dignam & Co., Calcutta).

MR. F.W.A. CARPENTER (Bird & Co., Calcutta).

GANDHI NATIONAL MEMORIAL FUND.

For the purpose of perpetuating the memory of Mahatma Gandhi by furthering the constructive activities in which he was interested as well as other activities which could give shape to his ideals, the Government of India decided to open a Fund to be known as the "Gandhi National Memorial Fund." For this purpose, a Central Committee was formed under the presidentship of Dr. Rajendra Prasad. In addition, various sub-committees were appointed in the Provinces for the purpose of collecting money for the Fund. In a letter to members in August 1948, the Committee recommended that members of the Chamber should contribute in accordance with their resources and that subscriptions might be forwarded through the Chamber, who in turn would make a lump sum contribution to the Central Committee. As regards the staffs of commercial offices, the Committee thought that the Fund should be brought to their notice, but that any contribution must be entirely voluntary. In respect of donations through the Chamber, members were advised that in the first instance a *kutcha* acknowledgment only would be issued and as soon as negotiations had been completed concerning the manner in which *pucca* receipts should be issued in order to qualify for income-tax relief, members would be notified.

Meantime a Bill to enable companies to make donations to the Gandhi National Memorial Fund was introduced into the Constituent Assembly (Legislative) and passed during August. The absence of enabling provisions in the Memoranda of Association of certain companies precluded them from making donations to charitable or public funds such as the Gandhi National Memorial Fund, not closely connected with or incidental to the objects for which the companies might have been formed. The amendment of such memoranda with a view to incorporating such provisions would, in the ordinary course, be a long process and in some cases involve considerable expense. It was desirable

that such companies as were anxious to contribute to the Gandhi National Memorial Fund but were unable to do so in terms of their Memoranda or Articles of Association, should be enabled by law to make such donations.

Although nothing is known of an Executive Body for the management of the Fund, discussions are still proceeding in order to finalise the names of the Trustees. The President of the Associated Chambers, MR. A. P. BENTHALL, has agreed to serve as one of the Trustees.

It was subsequently learnt that the Central Committee of the Gandhi National Memorial Fund had agreed that 75 per cent. of the total contributions would be earmarked for expenditure in the Province from which the collections were made. It was estimated that the total collections in Bombay City from the cotton textile industry and other industries would be in the region of a crore of rupees, which would mean that the amount available for expenditure in Bombay City would be about Rs. 75,00,000.

It was suggested that as hospital accommodation in Bombay fell far short of actual requirements, the amount available from the Fund for expenditure in Bombay City should be utilised for building a hospital for industrial labour so as to provide for at least 300 beds to start with.

The Committee of the Chamber considered that the building of a hospital was worthy of support besides giving the donors to the Fund a clear indication as to how their subscriptions would be utilised. Nearly all members of the Chamber who have so far contributed have earmarked their contributions for the building of a hospital.

CURTAILMENT OF PUBLIC HOLIDAYS.

GOVERNMENT'S POLICY.

In April 1948 a Press Note was issued by the Director of Publicity, Bombay, which stated that the Government of Bombay had under consideration the question of revision of the existing orders on the public holidays observed in this Province.

In other countries, the number of public holidays was about 8 to 10 in the whole year, while, in this Province, the number of such holidays is 21. Even making allowance for difference in conditions in India and other countries, the present number seemed excessive and Government considered that it should be curtailed to 12, which should be distributed as five Hindu, two Muslim, two Parsi, two Christian and one Jain holidays.

Due to the constitutional changes in this country, the question of the policy regarding holidays had also been recently examined by the Government of India. That Government considered that some recognised principles in selecting the holidays should be followed in the Provinces and that such principles might be the general significance of a festival and birthdays of world figures of importance to India. There was hardly any justification for having holidays on such occasions as were devoid of general interest and were of significance only to a particular community. In accordance with the policy of the Government of India and having regard to the necessity of curtailing public holidays, the Government of Bombay considered that, in addition to the 30th January (Mahatma Gandhi Day) and 15th August (Independence Day), the following days only might be declared as public holidays :

Hindu : (1) Ram Navami, (2) Krishnashtami, (3) Ganesh Chaturthi, (4) Dassera, (5) Diwali.

Muslim : (1) Ramzan-Id, (2) Bakri-Id.

Parsi : (1) Zarthost-no-Diso, (2) Khordad Sal.

Christian : (1) Good Friday, (2) Christmas Day.

Jain : (1) Mahavir Jayanti (Chaitra Sud. 13).

The other days, which are at present declared as public holidays would be included in the sectional holidays.

The Committee agreed that the number of public holidays observed in the Province was excessive and approved of this number being reduced from 21 to 12 and also agreed with the list of days it was proposed to observe in future as public holidays.

In a letter, addressed to the Government of Bombay, the Committee referred to the declaration of 1st July and 31st December as Public Holidays under the Negotiable Instruments Act. The Committee considered that as these two days are declared holidays in order to enable banks to close their half-yearly accounts Government should make an announcement to this effect, which would be of assistance to business houses. The Committee added that no penalty should attach to any business house through its inability to meet its commitments under the Negotiable Instruments Act due to the banks being closed on those two days.

ALL-INDIA AIR BOARD.

In a letter dated 25th September to the Associated Chambers of Commerce, the Ministry of Commerce, Government of India, stated that it had been decided to set up an All-India Air Board to advise the Government of India on matters relating to civil

aviation in India. Chambers of Commerce and Industry are to have two representatives on the Board and the Associated Chambers were asked to submit a panel of three names to the Ministry for consideration. The following names were submitted:—

MR. F. F. M. FERGUSON (Dunlop Rubber Co., Calcutta).

MR. R. A. H. STEVENSON (Shaw Wallace & Co., Calcutta).

MR. L. J. P. SWABEY (Burmah-Shell Oil Storage and Distributing Co. of India Ltd., Bombay).

REGISTRATION OF REQUIREMENTS OF CAPITAL ISSUES.

In December 1948, constituent Chambers were informed by the Associated Chambers of Commerce of India of a circular letter addressed by the Director-General of Industries and Supplies, New Delhi, to a member of the Madras Chamber regarding the registration of details of capital equipment required from abroad. In addition, the Department of Industries and Supplies sought to obtain further information in regard to industrialists' plans, in detail, for the next five years.

This matter was considered by the Committee of the Chamber who fully agreed that the question should be taken up by the Association with the Government of India. They did not see any justification for a detailed enquiry such as that made by the Department of Industries and Supplies, and in any event they thought it might be pointed out that unless Government in their turn were prepared to make definite statements of their industries, taxation and labour policy for the next five years, they could not expect industrialists to be in a position to give any details of their plans for such a period.

Members were advised by Chamber's circular No. 240/503-(43) of 2nd February 1949 that if they receive similar enquiries they should communicate with the Chamber before replying to them.

TERRITORIAL FORCE.

In the last session of the Legislature, an Act was passed to constitute a Territorial Army for India. In November 1948 the Ministry of Defence, Government of India, issued a circular asking for the co-operation of employers in encouraging their employees to join the Territorial Force.

This circular was reproduced in full for the information of members in Chamber's circular No. 391/122-(15) of 11th January 1949, with the recommendation that members should assist the Defence Ministry by agreeing to the measures set out in paragraph 3 of the Government's circular.

ALL-INDIA COUNCIL FOR TECHNICAL EDUCATION: COMMERCE AND BUSINESS.

Administration, Board of Technical Studies, Facilities for Training of Diploma Students.

In November 1948, the Chamber received from the Associated Chambers of Commerce of India copies of a letter with enclosures from the Ministry of Education of the Government of India which were reproduced in full for the information of members in circular No. 193/385-(34) of 27th January 1949.

In bringing the enclosures to the notice of the members it was hoped that wherever possible they would co-operate by extending training facilities to students who had completed a course in commerce and business administration and passed the final examination of the Council for Technical Education.

The President of the Associated Chambers of Commerce both in his personal capacity and as President of the Association, has agreed to serve as a member of the All-India Board of Technical Studies in Commerce and Business Administration.

AWARD OF SCHOLARSHIPS TO SKILLED LABOUR FOR TECHNICAL TRAINING.

In November 1948, the Chamber was asked to express its views on a scheme which had been prepared by the Government of India, for awarding scholarships to skilled labour so as to give them the opportunity of theoretical training in industry with a view to upgrading them to supervisory posts. The four industries included in the scheme were—

Engineering,	Leather and
Textile,	Chemical.

The scheme was primarily intended for workmen actually engaged in a factory or industrial concern of repute. The period of training would, on the average, extend to three years and it appeared from the scheme that the entire cost of this training would be met by Government.

Government considered that, as the candidates would be nominated by the employers themselves, the latter should re-engage trainees at least in their previous positions on the satisfactory conclusion of their studies. The period of study would be counted as duty for purposes of promotion, leave, etc. In order that trainees may not lose touch with their employers, it was

suggested that, when the training institutions closed for a period not exceeding 15 days each year, they should return at their own cost to their factories or works and that during this period they might receive from their employers the usual wages in addition to the stipend to be paid by Government.

The Committee of the Chamber agreed generally with the proposal of the scheme but they expressed their doubt as to whether the allowance of Rs. 80 a month, payable by Government as a stipend to trainees for technical studies, would satisfy the trainees as they would either be skilled workmen or apprentices who were " out of their time."

WEATHER WORKING DAYS.

The following days during the monsoon months of 1948 were declared to be half or non-weather working days for vessels working in the Docks :—

Monday, 14th June	Non-weather working day.
Wednesday, 30th June	Half-weather working day.
Thursday, 8th July	Non-weather working day.
Wednesday, 14th July..	Half-weather working day.
Thursday, 15th July	Non-weather working day.
Friday, 16th July	Non-weather working day.
Saturday, 17th July	Non-weather working day.
Tuesday, 10th August	Non-weather working day.
Thursday, 12th August	Non-weather working day.
Friday, 13th August	Half-weather working day.
Monday, 16th August	Non-weather working day.
Thursday, 16th September	Half-weather working day.
Wednesday, 22nd September ..	Half-weather working day.
Friday, 24th September	Half-weather working day.
Monday, 22nd November	Non-weather working day.

The Deputy Conservator of the Port, in consultation with the Harbour Master and a representative of the Chamber, decided that the following days were half or non-weather working days for vessels working in the stream :—

Monday, 14th June	Non-weather working day.
Wednesday, 30th June	Half-weather working day.
Thursday, 8th July	Non-weather working day.
Wednesday, 14th July..	Half-weather working day.
Thursday, 15th July	Non-weather working day.
Friday, 16th July	Non-weather working day.
Saturday, 17th July	Half-weather working day.
Tuesday, 20th July	Half-weather working day.
Wednesday, 21st July	Half-weather working day.

Friday, 23rd July	Half-weather working day.
Tuesday, 10th August	Half-weather working day.
Wednesday, 11th August	Half-weather working day.
Thursday, 12th August	Non-weather working day.
Friday, 13th August	Non-weather working day.
Saturday, 14th August	Non-weather working day.
Monday, 16th August	Non-weather working day.
Thursday, 16th September	Half-weather working day.
Wednesday, 22nd September ..	Non-weather working day.
Thursday, 23rd September	Non-weather working day.
Friday, 24th September	Non-weather working day.
Saturday, 25th September	Non-weather working day.
Monday, 22nd November	Non-weather working day.
Tuesday, 23rd November	Non-weather working day.

LIST OF ACTS AFFECTING COMMERCE AND INDUSTRY PASSED BY THE INDIAN LEGISLATURE DURING THE YEAR 1948.

CENTRAL LEGISLATURE.

I. Federal Court (Enlargement of Jurisdiction).
II. Repealing and Amending Act, 1947.
III. Armed Forces (Special Powers).
IV. Armed Forces (Emergency Duties) (Amendment).
V. Indian Tariff (Second Amendment).
VII. Cotton Textile Cess.
VIII. Pharmacy.
IX. Dock Workers (Regulation of Employment).
X. Insurance (Amendment).
XI. Minimum Wages.
XII. Rehabilitation Finance Administration.
XIII. Railways (Transport of Goods) (Amendment).
XIV. Damodar Valley Corporation.
XV. Industrial Finance Corporation.
XVI. Dentists.
XVIII. Protective Duties Continuation.
XIX. Indian Tea Control (Amendment).
XX. Indian Finance.
XXI. Indian Railways (Amendment).
XXII. Indian Power Alcohol.
XXIII. Taxation on Income (Investigation Commission) (Amendment).

XXIV.	Indian Aircraft (Amendment).
XXV.	Provincial Insolvency (Amendment).
XXVII.	Control of Shipping (Amendment).
XXIX.	Atomic Energy.
XXX.	Indian Lac Cess (Amendment).
XXXI.	National Cadet Corps.
XXXII.	Road Transport Corporation.
XXXIV.	Employees' State Insurance.
XXXV.	Gandhi National Memorial Fund Donations (Companies).
XXXVI.	Bombay, Calcutta and Madras Port Trusts (Constitution) (Amendment).
XXXVII.	Census.
XXXVIII.	Continuance of Legal Proceedings.
XXXIX.	Indian Registration (Amendment).
XL.	Indian Matrimonial Causes (War Marriages).
XLI.	Diplomatic and Consular Officers (Oaths and Fees).
XLII.	Indian Merchant Shipping (Amendment).
XLV.	Indian Telegraph (Amendment).
XLVI.	Coal Mines Provident Fund and Bonus Scheme.
XLVII.	Displaced Persons (Institution of Suits).
XLVIII.	Income-tax and Business Profits Tax (Amendment).
XLIX.	Taxation on Income (Investigation Commission) (Second Amendment).
LI.	Imperial Library (Change of Name).
LIII.	Mines and Minerals (Regulation and Development).
LIV.	Electricity (Supply).
LV.	Indian Income-tax (Amendment).
LIX.	Indian Cotton Cess (Amendment).
LX.	Resettlement of Displaced Persons (Land Acquisition).
LXI.	Central Silk Board.
LXII.	Reserve Bank (Transfer to Public Ownership).
LXIII.	Factories.
LXIV.	Essential Supplies (Temporary Powers) (Amendment).
LXV.	Indian Railways (Second Amendment).
LXVII.	Indian Tariff (Amendment).

BOMBAY PROVINCIAL LEGISLATURE.

I. Tobacco Duty (Town of Bombay) Act, 1857 and Bombay (District) Tobacco Act, 1933 (Suspension) (Repeal and Re-enactment).

II. Bombay Growth of Foodcrops (Repeal and Re-enactment).

III. City of Bombay Municipal (Amendment).

IV. Land Acquisition (Bombay Amendment).

V. Bombay General Clauses (Amendment).

VII. Bombay Essential Commodities and Cattle (Control) (Amendment).

VIII. City of Bombay Municipal (Amendment) (Repeal and Re-enactment).

IX. Bombay Sales of Motor Spirit Taxation (Repeal and Re-enactment).

X. Land Acquisition (Bombay Amendment) (Repeal and Re-enactment).

XI. Bombay Fodder and Grain Control (Amendment).

XII. Bombay Increase of Stamp Duties (Repeal and Re-enactment).

XIII. Bombay Increase of Court Fees (Repeal and Re-enactment).

XV. Identification of Prisoners (Bombay Amendment).

XVI. Coroners (Bombay Amendment).

XVII. Bombay Public Security Measures (Amendment).

XVIII. Bombay Public Conveyances (Amendment).

XIX. Bombay Local Boards (Amendment).

XXI. Bombay Entertainments Duty (Amendment).

XXII. Bombay Refugees.

XXIII. Bombay Finance (Amendment).

XXIV. Bombay Sales Tax (Repeal and Re-enactment).

XXV. Mussalman Wakf, Bombay Public Trusts Registration and Parsi Public Trusts Registration (Amendment).

XXVI. Bombay Prevention of Prostitution (Amendment).

XXVII. Arnold Marriage Validating (Repeal and Re-enactment).

XXVIII. Bombay Co-operative Societies (Amendment).

XXIX. Bombay Land Improvement Schemes (Repeal and Re-enactment).

XXX. Bombay Public Security Measures (Second Amendment).

XXXI. Bombay Building (Control on Erection).

XXXIII. Bombay Land Requisition.

XXXV. Bombay Land Revenue Code (Amendment).

XXXVI. Bombay Rents, Hotel and Lodging House Rates Control (Amendment).

XXXVII. Bombay Entertainments Duty (Second Amendment).

XXXVIII. Bombay Prevention of Hindu Bigamous Marriages (Amendment).

XXXIX. Bombay Borstal Schools (Amendment).

XL. Bombay City Civil Court.

XLII. Court Fees (Bombay Amendment).

XLIII. Bombay Industrial Relations (Amendment).

XLIV. Presidency Small Cause Courts (Bombay Amendment).

XLV. Legal Practitioners (Bombay Amendment).

XLVII. Bombay Essential Commodities and Cattle (Control) (Second Amendment).

XLVIII. City of Bombay Municipal (Second Amendment).

L. Indian Tramways (Bombay Amendment).

LI. Presidency-Towns Insolvency (Bombay Amendment).

LII. Bombay Sales Tax (Amendment).

LIII. Societies Registration (Bombay Amendment).

LIV. Bombay Lotteries and Prize Competitions Control and Tax.

LV. Bombay Town Planning (Amendment).

LVI. Bombay Weights and Measures (Amendment).

LVII. Bombay Agricultural Produce Markets (Amendment)

LVIII. Bombay Moneylenders (Amendment).

LIX. Bombay Animal Contagious Diseases (Control).

LXI. Press and Registration of Books (Bombay Amendment).

LXII. Indian Forest (Bombay Amendment).

LXIV. Bombay Irrigation (Amendment).

LXV. Bombay Public Trusts Registration (Amendment).

LXVI. Bombay Refugees (Amendment).

LXVII. Bombay Tenancy and Agricultural Lands.

LXVIII. Provincial Insolvency (Bombay Amendment).
LXIX. Bombay Housing Board.
LXX. Bombay Agricultural Debtors Relief (Amendment).
LXXI. Bombay Children.
LXXII. Bombay Khar Lands.
LXXIII. Bombay Land Improvement Schemes (Amendment).
LXXIV. Bombay Industrial Relations (Second Amendment).
LXXV. Board of Indian Systems of Medicine (Extension of Term) (Amendment).
LXXVI. City of Bombay Municipal and the City of Bombay Municipal (Supplementary) (Amendment).
LXXVII. Bombay Harijan Temple Entry (Amendment).
LXXIX. Bombay Shops and Establishments.
LXXXI. Bombay Animal Preservation.
LXXXII. Bombay Sugarcane Cess.

GOVERNMENT OF INDIA ORDINANCES—1948.

III. Transfer of Property (India).
VI. Exchange of Prisoners.
VII. Coal Mines Provident Fund and Bonus Schemes.
IX. Arbitral Tribunal (Dissolution).
XI. Transfer of Property (India) (Amendment).
XII. Continuance of Legal Proceedings.
XIII. Indian Income-tax (Amendment).
XV. Taxation on Income (Investigation Commission) (Amendment).
XVI. Securities (Hyderabad).
XVII. Influx from West Pakistan (Control).
XVIII. Displaced Persons (Institution of Suits).
XXI. Payment of Taxes (Transfer of Property).
XXIII. National Service (Temporary and Released Persons).
XXIV. Public Safety.
XXV. Banking Companies (Control).
XXVI. Patents (Extension of Term).
XXVII. Excess Profits Tax (Amendment).
XXVIII. Merchant Shipping (Acceding States).
XXIX. Public Companies (Limitation of Dividends).
XXXI. Essential Supplies (Temporary Powers) (Amendment)

XXXIII. Indian Tariff (Amendment).
XXXIV. Influx from Pakistan (Control).
XXXV. Taxation on Income (Investigation Commission) (Amendment).
XXXVI. Gandhi National Memorial Fund Donations (Companies) (Amendment).
XXXVII. Scheduled Securities (Hyderabad).
XXXVIII. Indian Income-tax (Amendment).

GOVERNMENT OF BOMBAY ORDINANCES.

I. Bombay Building (Control on Erection).
II. City of Bombay Municipal General Elections.
III. Presidency Towns Insolvency (Bombay Amendment).

THE BOMBAY CHAMBER OF COMMERCE.

(Incorporated under the Indian Companies Act, 1913.)

Balance Sheet as at 31st December, 1948.

LIABILITIES.	Rs. as. p.	Rs. as. p.
Outstanding Bills—		
Sundry Creditors		3,568 10 0
Advance Receipts		39,352 10 0
Reserve for Passages—		
As per last Balance Sheet	2,130 0 0	
Add—Reserved during the year ..	2,000 0 0	
	4,130 0 0	
Less—Utilised during the year ..	2,130 0 0	
		2,000 0 0
Reserve for Taxation—		
As per last Balance Sheet	10,251 10 0	
Less—Paid during the year	2,350 2 0	
		7,901 8 0
Reserve for Depreciation of Investments		
As per last Balance Sheet	10,406 4 0	
Add—Provided during the year ..	557 13 0	
		10,964 1 0
Accumulated Funds—		
As per last Balance Sheet	4,23,019 12 0	
Add—Excess of Income over Expenditure (as per annexed Account) ..	3,558 7 0	
		4,26,578 3 0
	Rs.	4,90,365 0 0

(There is a contingent liability in respect of the unexpired term of the Vice-President's service agreement.)

ASSETS.	Rs. as. p.	Rs. as. p.
Office and Statistical Department—		
Furniture, Fittings, Typewriters, etc. Estimated value as on 31st December 1928 less sales to 31st December 1935	7,525 0 0	
Additions at Cost—		
In previous years	15,553 13 0	
This year	9,185 3 0	
	24,739 0 0	
	32,264 0 0	
Less—Depreciation—		
In previous years	16,046 13 0	
This year	1,999 3 0	
	18,046 0 0	
		14,218 0 0
Motor Car—		
At cost	8,868 12 0	
Less—Depreciation—		
In previous years	1,847 10 0	
This year	2,217 2 0	
	4,064 12 0	
		4,804 0 0
Measurement Department Furniture—		
Additions at Cost	1,565 15 0	
This year	1,653 5 0	
	3,219 4 0	
Less—Depreciation—		
In previous years	528 6 0	
This year	480 15 0	
	1,009 5 0	
		2,209 15 0
Sundry Debtors (Since received Rs. 170/-		1,162 4 0
Investments—		
At cost .. .. (Market value Rs. 4,44,085-15-0)		4,41,495 13 0
Advances and Deposits—		
Cash in transit, Insurance Refund due (since received)	38 13 0	
Deposit with H.M. Stationery Office, London ..	26 11 0	
Deposit with the Government of India, Publication Branch	100 0 0	
Deposit with the Central Telegraph Office, Bombay ..	200 0 0	
Deposit for passage	500 0 0	
Advance payment against assessment for the fiscal year 1949-50	150 12 0	
Loans to Staff .. .. (Since refunded Rs. 2,063/-)	2,220 0 0	3,236 4 0
Cash and other balances—		
In hand	782 9 0	
With the Imperial Bank of India in Current Account ..	22,456 3 0	
		23,238 12 0
Rs.		4,90,365 0 0

A. D. FINNEY,
President.

L. A. HALBALL,
Vice-President.

R. W. BULLOCK,
Member of Committee.

BOMBAY, *26th February*, 1949.

THE BOMBAY CHAMBER OF COMMERCE.

(Incorporated under the Indian Companies Act, 1913.)

Dr. *Income and Expenditure Account for the year ended 31st December, 1948.* *Cr.*

EXPENDITURE.	Rs. as. p.	Rs. as. p.	INCOME.	Rs. as. p.	Rs. as. p.
To—			By—		
Subscriptions—			Membership Subscriptions		1,01,935 0 0
Federation of Chambers of Commerce of the British Empire ..	42 1 0		Subscriptions to Statistical Returns, Fees for measurement, weighment and sampling, Arbitration fees and fees for Certificates of Origin, etc.		2,69,663 0 0
Associated Chambers of Commerce of India	1,440 0 0				
Indian Standards Institution ..	250 0 0				
Weather and Crop Reports ..	24 0 0				
		1,756 1 0			
Salaries and Dearness Allowances ..		2,53,760 3 0	Contribution from the Indian Engineering Association		2,400 0 0
Rent		8,046 0 0			
Printing		14,972 4 0			
Cyclostyling		25,175 8 0			
Advertisements		49 8 0			
Books and Periodicals		1,336 11 0			
Stationery		6,229 5 0	Interest—		
General Charges		11,411 14 0	On Investments ..	8,445 1 0	
Telephones		1,485 0 0			
Insurance		553 12 0	On Advance Payments of Tax	8 15 0	
Legal Charges		135 0 0			8,454 0 0
Labour and Hire of Scales		4,163 9 0			
Contribution to Railways		3,934 10 0			
Repairs to Chowkies		1,073 0 0	Profit on Sale of Chowkey		1,099 0 0
Motor Car Upkeep		2,756 9 0			
Auditors' Fees		250 0 0	Sundries		524 1 0
Depreciation		4,697 4 0			
Contribution to the Provident Fund.		15,205 4 0			
Bonus to Staff		15,513 8 0			
Travelling Expenses		1,346 2 0			
Passages.		4,745 7 0			
Sales Tax		1,920 3 0			
		3,80,516 10 0			
Balance, being excess of Income over Expenditure, transferred to Accumulated Funds		3,558 7 0			
	Rs.	3,84,075 1 0		Rs.	3,84,075 1 0

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REPORT OF THE AUDITORS TO THE MEMBERS.

We have audited the foregoing Balance Sheet of the BOMBAY CHAMBER OF COMMERCE as at the 31st day of December 1948, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(a) we have obtained all the information and explanations which we have required;

(b) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the law;

(c) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and the explanations given to us and as shown by the books of the Chamber, and

(d) in our opinion, books of account have been kept by the Chamber as required by Section 130 of the Indian Companies Act, 1913.

SHARP & TANNAN,
Chartered Accountants,
Registered Accountants,
Auditors.

BOMBAY, 26th *February*, 1949.

A. D. FINNEY,
President.

L. A. HALSALL,
Vice-President.

R. W. BULLOCK,
Member of Committee.

THE BUDGET, 1949-50.

Finance Minister's Speech.

I rise to present the Budget for 1949-50.

Review of Economic Conditions.

2. Although this is the fourth year since the cessation of hostilities, the return of normal conditions, without which it is impossible to expand production and develop trade, seems still as far off as ever. Over large parts of the world, conditions remain disturbed and the progress of recovery from the ravages of the war is painfully slow. In Europe the impasse in Berlin, the civil war in Greece and the emergence of two rival camps among the countries that fought the war as allies are symptomatic of the abnormal conditions which still prevail. The Palestine question, which is a serious threat to peace and stability in the Middle East, is still unsolved. Nearer home, the continuance of civil strife in China, the disturbances in Burma, which concern us deeply in view of our close economic ties with that country and the large interests our nationals have in it, and the unprovoked assault of the Dutch on the Indonesian Republic, all these retard the economic recovery not merely of this largely underdeveloped area of the globe but of the whole world. Prosperity, like peace, is indivisible and while these conflicts are going on in various parts of the world involving a tragic waste of men and material, the common man in all countries, particularly the less developed countries, continues to pay a heavy price in want and suffering.

3. In our own country, as in most other countries in the post-war period, the major problem has been that of keeping the inflationary trends under control. It is not necessary for me to dilate on the causes of the emergence of these trends since the end of the war. While as a result of the war the purchasing power in the hands of the community increased considerably, the available supply of commodities in the post-war period was not sufficient to meet the increasing demand for them. The shortage of essential commodities, particularly food and clothing, aggravated the situation owing to the rise in the money income of some sections of the community who in the past never competed for food and consumer goods on the same scale. Difficulties in transport and distribution accentuated the shortages while the partition last year and the economic dislocation caused over considerable parts of the country by the movement of population between the two Dominions made the position worse. A steady rise in prices occurred throughout 1947 the general index number of wholesale prices rising from 290.5 at the beginning of the year to 314.2 at the end of December. In the first seven months of 1948 there was a further steep rise in prices, the index number

of wholesale prices rising by as much as 76 points to 390.1. Since then the prices have slightly dropped and as a result of the various measures taken by Government prices have remained more or less steady.

4. The answer to the problem of inflation and high prices is to increase the supply of commodities to meet the existing demand and until this position is reached to control the distribution of the available supply of the essential commodities. In the matter of food the supply position still continues to be difficult and last year owing to the poor crops in certain parts of the country we have had to import 2.8 million tons from overseas at a cost of Rs. 130 crores against an estimated import of 2 million tons at a cost of Rs. 110 crores. The position is expected to be still more difficult this year owing to the floods in Bihar and the United Provinces, the damage caused by the recent cyclone in Bombay and the outbreak of famine in parts of Gujerat, Saurashtra, Rajasthan and Cutch and imports may amount to 4 million tons. As the House is aware, it has already been decided to re-introduce food control and it is hoped that this will secure an equitable supply of food grains throughout the country at fair prices. In respect of other commodities the position in regard to internal production has, I am glad to say, been encouraging in recent months although it has not been possible in many cases to reach the peak production of the war years or the target that has been set. Last year the production of coal at 29.73 million tons and of steel at 854,000 tons just fell short of the production in the previous year while the production of salt rose from 49.6 million maunds to 59.3 million maunds, of cotton yarn from 1,315 million lbs. to 1,442 million lbs., of cloth from 3,816 million yards to 4,338 million yards, of art silk fabrics from 85 million yards to 114 million yards, of plywood from 28.6 million sq. feet to 38.63 million sq. feet and of soap from 80,000 tons to 190,000 tons. The flow of raw materials to industry has also improved with the improvement in the transport position while with the relaxation of import controls there has been a larger flow of imported goods. Production has been greatly assisted by the occurrence of fewer strikes and labour disputes. If the present favourable trends in production continue, I have no doubt that it will be possible not merely to arrest the rise of prices but to bring them down gradually.

5. The state of the capital market in the year under review has been a matter of concern to Government. While there is obviously a large amount of money in the country competing for the limited supply of goods, the investment market has been stagnant and there has been little flow of money into Government loans or into industrial concerns. This stagnation is due in large measure to the prevailing uncertainty in regard to matters

affecting industrial development and prospects. My own view is that with the huge potential demand in this country for both consumer and capital goods, there is bound to be for many years a wide field for private enterprise and that in this matter no one who invests money is taking a greater risk than in any other country in the world.

6. As I mentioned a while ago, the fight against inflation has been one of Government's main pre-occupations this year. As Honourable Members are aware, Government consulted various interests and sections of public opinion regarding the measures necessary to deal with this situation. In a matter of this kind, it is obviously not possible to expect complete unanimity of opinion as to either the causes of inflation or the remedies to be adopted. But it was clear that immediate action should be taken to prevent, as far as possible, the further creation of purchasing power in the hands of the community and to take all steps possible to stimulate production and instil a spirit of confidence in industry. With this end in view, in the field of taxation additional duties on certain articles of luxury such as liquor, tobacco, motor cars, silk and art silk fabrics were imposed and an excise duty on superfine cloth was levied. Power was taken to make provisional assessments of income-tax on the basis of returns submitted by the assessees. A system of interest bearing deposits for income-tax introduced in 1943 was also revived and it was decided to postpone for a further period of three years the refund of deposits of Excess Profits Tax except for approved purposes. A temporary limit was also placed on the amount that may be distributed as dividend by public companies, by an Ordinance, the enactment of which into law is now under consideration by the House. Among measures taken to stimulate industrial production, I would mention the reduction in the import duty on machinery and certain industrial raw materials and the abolition of the import duty on cotton yarn. New industrial undertakings commencing production in the next three years have been given exemption from income-tax for the first five years up to a limit of six per cent. per annum on their capital. The rules regulating depreciation allowances have also been liberalised. In the field of Governmental expenditure a rapid review was conducted of all capital and development schemes including the Provincial schemes. As a result the total provision for capital and development schemes and loans has been substantially reduced. It was also made clear to the Provinces that in the present financial situation they should not count on Central assistance for implementing their schemes of social or agrarian reform. The House will realise that it was not without regret that we decided to hold up even temporarily the various schemes of development the execution of which is necessary for the well being of the country. But the need for economy was

imperative and we had to postpone all avoidable expenditure. But this has not led to the slowing down of any productive scheme or any scheme essential for the national interest. I would like to take this opportunity to express my sense of gratitude to the Provincial Governments for their ready co-operation in this matter.

Balance of Payments.

7. The main features in the external financial position of the country in the year under review have been the sharp decline in the sterling balances held by the Reserve Bank of India, the growing difficulty in the financing of imports from the hard currency areas and the emergence of Pakistan as a foreign country for currency purposes with the separation of its currency from that of India. The sterling balances which reached the peak figure of Rs. 1,733 crores at the end of 1945-46 declined by Rs. 121 crores to Rs. 1,612 crores during 1946-47. This reduction was due mainly to the large imports of food but there were also substantial imports of other goods in satisfaction of the pent up demand of the war years and a certain amount of repatriation of British capital. During 1947-48 the reduction was somewhat smaller due to the restrictive import policy which was introduced towards the close of 1947 and the balances fell by only Rs. 67 crores to Rs. 1,545 crores. In the first ten months of the current year there has been a further drop of Rs. 556 crores in these balances. This heavy outgo is due to several causes. The first is the payment to the United Kingdom Government in accordance with the agreement reached with them last July, of Rs. 284 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of the Defence installations and stores left behind in India by the United Kingdom at the end of the war. The second is the payment to the State Bank of Pakistan of Pakistan's share of these balances following the separation of its currency from that of India. This payment is still continuing as the sterling and other assets of the Issue Department are handed over in instalments as Indian notes are withdrawn from circulation in Pakistan and handed over to the Reserve Bank. Sterling to the extent of Rs. 1,77 crores has so far been transferred to the Pakistan State Bank. The third factor responsible for the decline is India's adverse balance of payments on current and capital account.

8. Government's import policy is largely determined by the trend of the balance of payments. The aim of this policy is so to regulate trade that while it is kept at the highest possible level consistent with the needs and requirements of the country, India should not have an overall deficit in her balance of payments on current account during any particular period of time of more

than the amount by which it has been agreed with the United Kingdom Government India's sterling balances should be drawn upon. Under the present agreement signed last July it has been agreed that India's free sterling account which had a balance at the end of June, 1948 of £80 million will be credited with an equivalent sum during the period July, 1949 to June, 1951. In pursuance of this policy and also with the immediate object of reducing the inflationary pressure in the country, import controls were relaxed during the course of the year, and I am glad to say that they have resulted in substantially increasing the available supply of goods in the country.

9. While our overall balance of payment position is on the whole satisfactory, our balance of payments with the dollar and hard currency countries is causing us great concern. In the pre-war years India had usually a surplus with the United States of America and during the war years owing to the drastic curtailment of imports to conserve dollars for the war effort, India continued to have increasing surpluses. After the war, the trend of trade rapidly reversed itself and, in common with the rest of the world, this country started having substantial deficits on hard currency account. The reason for this was that we had increasingly to turn to the hard currency countries for our requirements as the countries whose economies had been disrupted by the war could not meet them. This was particularly true of food which is to-day the largest single consumer of foreign exchange. Burma could not supply all the rice we needed because of the ravages of the war and its aftermath ; Australia could not give us all the wheat we wanted because the United Kingdom had priority in supply.

10. India's dollar deficit in the past used to be financed by the central reserves of the sterling area. But beginning from January, 1948 the United Kingdom refused to carry this responsibility any further and insisted on limiting the convertibility of our sterling very rigidly. The limits imposed—£10 million ($40 million) for the half year January—June, 1948 and £15 million ($60 million) for the year July, 1948—June, 1949—bear no relation whatever to our needs. Concurrently with the imposition of these limits on convertibility, there came the separation of the exchange resources of Pakistan from India which also took place in January, 1948. This has also handicapped us severely as many commodities which before partition earned hard currency, such as raw jute, raw cotton and hides and skins, were largely exported from territories now in Pakistan. In spite of the maximum possible limitation of imports from the hard currency areas and the maximum possible encouragement of exports thereto, India had a deficit in her balance of payments with the hard currency countries in the six months April to September, 1948 of $45

million. The deficit for the next three months, for which preliminary figures are available, is expected to be $48 million. Of these deficits, the purchase of food grains was responsible for $35 million and $40 million respectively. These deficits which exceed by far the convertibility allowed to us by the United Kingdom have been met by loans from the International Monetary Fund from which since March, 1948 we have borrowed no less than $92 million.

11. I confess that this chronic dollar deficit is causing Government no little anxiety. Honourable Members are aware that we intend to negotiate dollar loans from the International Bank for Reconstruction and Development. But these loans will be available only for financing the purchase of equipment for our developmental projects and not for current expenditure. We do not favour the idea of borowing on the present scale from the International Monetary Fund but if the central reserves of the sterling area, to which we were at one time a source of strength, insist on continuing to limit our claims on them in the same way as at present, we shall have no alternative to continuing to borrow. One ray of hope in the situation lies, of course, in the fact that we hope, in future years, to import less food and to divert our food purchases to the soft currency areas. It is also possible that the international prices of food grains will not remain at the present high levels.

12. While we have exchange control with all countries in the world, we have none with Pakistan. This has been rendered possible by the fact that simultaneously with the separation of their currencies on the 1st July, 1948 India and Pakistan came to a monetary and payments agreement. The main terms of this agreement, which is in the first instance valid for a period of one year, are that each party will hold the currency of the other up to a limit of Rs. 15 crores, that thereafter up to a further limit of Rs. 10 crores accounts will be settled in free sterling and the balance in sterling in Account No. II. The reason for entering into an agreement of this kind was that the Governments of both Dominions were anxious to ensure that the obstacle to inter-dominion trade, which the imposition of exchange control would necessarily entail, should, if possible, be avoided. I am glad to say that this agreement has worked satisfactorily and that currency considerations have not stood in the way of inter-dominion commerce.

Financial Year, 1948-49.

13. I shall now proceed to give a brief review of the financial position in the current and the ensuing years.

For the current year the deficit is now estimated at Rs. 1.55 crores against Rs. 2.14 crores provided in the budget.

Revenue.

14. The revenue receipts are now estimated at Rs. 338.32 crores against the budget estimate of Rs. 255.24 crores, an increase of Rs. 83.08 crores. With the relaxation in the import controls during the course of the year there has been a considerable expansion of imports and the revenue from Customs is expected to be Rs. 36.49 crores more than the budget estimate. The yield from the excise duties on sugar, matches, tyres and tubes and vegetable products has also shown a substantial improvement and with the excise duty on cotton cloth imposed last December and estimated to yield Rs. 7 crores in a full year the revenue from Central excise duties is likely to be Rs. 4.28 crores more. Income-tax receipts are now placed at Rs. 20.62 crores more than the budget largely as a result of the intensive drive for the clearance of arrears and the recent ordinance authorising the provisional collection of tax on the basis of the statements of income of the assessees, but of this increase Rs. 5.38 crores will accrue to the Provinces as their share of revenue. The revenue from the two Government commercial departments also shows increases. The contribution from Posts and Telegraphs is likely to be Rs. 2.95 crores more while from the Railways, as the House is already aware, the contribution will amount to Rs. 7.34 crores against Rs. 4.5 crores taken in the budget. The profits from currency also show an increase of Rs. 3.65 crores. There is also a carryover of Rs. 1.33 crores on account of Government's share of the profit on stocks of sugar frozen in December 1947 which was not realised during that year and certain pre-partition receipts amounting to Rs. 13.4 crores.

Expenditure.

15. The total expenditure this year is now estimated at Rs. 339.87 crores, an increase of Rs. 82.49 crores over the budget estimate which nearly wipes out the increase in revenue. Of this increase, Defence Services account for Rs. 34.35 crores and Civil estimates for the balance of Rs. 48.14 crores.

16. *Defence Services.*—The expenditure on Defence Services during the year has been affected by the continuance of the operations in Kashmir, the extent and duration of which could not be foreseen at the time the budget was prepared and for which, in consequence, no provision was included and also by the unforeseen deterioration in the situation in Hyderabad which led to the police action last September. In view of these developments the armed forces had to be maintained at a higher strength than was contemplated in the budget. New units had to be raised and some of the operational demands for stores, equipment and munitions had to be met by fresh procurement. In addition to our own forces we had to take in service larger forces from the

Indian States and the Government of Nepal also loaned us some of their troops for purposes of internal defence. All these measures entailed additional expenditure for which there was no provision in the budget.

17. The increase of Rs. 48.14 crores in civil expenditure is mainly due to three causes. Firstly, the revised estimates include a new provision of Rs. 20.75 crores for meeting pre-partition liabilities for which no provision was made in the budget. At the time the budget was framed, sufficient data regarding the outstanding liabilities were not available and the arrangements with Pakistan for meeting and adjusting these had not also been settled. It was hoped that these liabilities would be met and shared currently by the two Dominions but the Pakistan Government declined to meet these liabilities on the ground that they were initially those of India and that Pakistan would take its share only through the debt settlement. The Government of India do not accept this view as, in their opinion, after the division of the available cash balances of the undivided Government between the two Governments, the outstanding liabilities should be paid and currently shared by the two Governments. But in order to avoid hardship to those who had made supplies or rendered services to the undivided Government, the Government of India have agreed to meet the liabilities in the first instance. Certain outstanding payments relating to the pre-partition period, such as the Provincial share of income-tax, are also due to the Provincial Governments now located in India which the Government of India propose to meet. Secondly, the expenditure on the relief and rehabilitation of refugees which has always been difficult to estimate and for which a provision of Rs. 10.04 crores was made in the budget is now expected to amount to Rs. 19.45 crores. This increase is partly due to the carryover of certain liabilities from the previous year, mainly payments to Provincial Governments, which could not be made before the close of last year and partly to increased expenditure on relief which has to be regulated with reference to the constantly changing requirements of the situation. Thirdly, the expenditure on the subsidising of imported foodgrains and the payment of bonuses to Provincial Governments on internal procurement is now expected to exceed the original budget by Rs. 12.05 crores. The House will remember that after a review of the food position last October it was decided that with effect from the 1st October 1948 the Central share of the loss on the supply of imported foodgrains to deficit areas should be raised from two-thirds to three-quarters and that a similar concession, limited to the Centre meeting half the loss, should be extended to the Indian States. Part of the increase is also due to the fact that while the budget provided for subsidies up to the end of the calendar year, provision has now been made for the full financial year.

I should also mention a further reason for the increase in civil expenditure. The House will remember that in the budget for the current year my predecessor made a lump cut of Rs. 2.5 crores for economies likely to result from the implementation of the recommendations of the Economy Committee. The work of this Committee has taken somewhat longer than was originally expected and its report on a number of Ministries are still under examination. No savings are therefore likely to be realised this year. For next year I am not making any provision at this stage as it is not possible, until firm decisions have been taken on their recommendations, to estimate the savings likely to be realised. But I may assure the House that this does not mean that I do not expect any economies to result from the Committee's recommendations. On the contrary it is my intention to secure the utmost economy possible in public expenditure and the House may rest assured that the recommendations of the Committee will be most carefully and earnestly considered by Government and the resulting economies enforced during the course of the year.

Income-tax Investigation Commission.

18. Before I pass on to deal with the estimates for the coming year I should like to mention the progress made in the work of the Income-tax Investigation Commission. Honourable Members will remember that the Act constituting the Commission assigned two duties to it, namely, to investigate and report on all matters relating to taxation on income, with particular reference to the extent to which the existing law relating to and procedure for the assessment and collection of such taxation is adequate to prevent evasion and to investigate specific cases referred to the Commission by the Central Government. On a study of the working of the Income-tax law and its administration during recent years, the Commission came to the conclusion that on a long-term view the first task was no less important than the second, and as work on the second had for various reasons necessarily to be slow, the Commission devoted a great part of its time till recently to the first task. This involved the examination of voluminous evidence tendered in reply to a comprehensive questionnaire which was issued, and the Commission has recently submitted a long report in which it has made recommendations on many points of law and of administration. These recommendations are now being examined with a view to the necessary legislation being introduced, and it is hoped that it will be possible to place a bill before the House at its next session.

19. As regards the investigation of specific cases referred to it by Government, the Commission has completed a few cases. Greater progress was not possible for a variety of reasons. Firstly, it was only in April 1948 that the necessary staff for investigation

work could be placed at the disposal of the Commission. This was because it was not possible for the Income-tax Department to spare their more experienced officers for this work before April, 1948, in view of the shortage of officers in the Department and the large amount of arrears that had to be cleared. However, this difficulty has now been overcome to some extent, and the officers authorised by the Commission are working in different cities carrying on investigation under instructions and directions given by the Commission. It is the material gathered by them that will form the basis of the Commission's further work.

Another factor which has delayed the disposal of specific cases taken up for enquiry is that it has been found that a good deal of general enquiry and collection of facts and figures is a necessary preliminary to the investigation of the specific cases. These general enquiries and the collation of the materials collected have taken a considerable time, and the work is proceeding apace. Once this is completed, it may be hoped that the disposal of specific cases will be expedited.

In this connection I may add that the possibility of disposing of the referred cases by agreed settlement is being explored, and a bill will shortly be placed before the House for vesting the necessary powers for making such settlements in the hands of the Commission.

Financial Year, 1949-50.

20. I now turn to the estimates for the next financial year. At the existing level of taxation, I place the total revenue at Rs. 307.74 crores and the expenditure charged to revenue at Rs. 322.53 crores leaving a deficit of Rs. 14.79 crores.

Revenue.

21. The total receipts from customs is estimated at Rs. 107.25 crores. This provides for a full year's effect of the changes in the tariff in the course of this year as part of the campaign against inflation. Central excises are expected to bring in Rs. 57.75 crores, including Rs. 7 crores from the recently imposed excise duty on cotton cloth. Receipts from income-tax, which include Rs. 11.22 crores on account of Excess Profits Tax and Rs. 12.01 crores on account of Business Profits Tax have been placed at Rs. 155 crores. Honourable Members will remember that it was decided last year that advance payments of tax should be taken direct to revenue instead of being treated initially as a deposit and, as a first step in the process of changing the accounting procedure, advance payments of Corporation Tax were taken direct to revenue in the budget for the current year. Next year, as a further step in the process, I have taken credit in the revenue estimates for Rs. 12.5 crores for a part of these

advance payments that will be received during the year. I hope that the change will be completed over the next three years. The divisible pool of income-tax is estimated at Rs. 90.7 crores of which the Centre will retain Rs. 46.85 crores leaving Rs. 43.85 crores as the Provincial share. The profits from Currency and Mint, after allowing for the share of Pakistan are estimated at Rs. 9.7 crores.

The revenue from the Posts and Telegraphs Department is expected to amount to Rs. 30.26 crores and working expenses and interest to Rs. 28.63 crores, leaving a surplus of Rs. 1.63 crores. As in the current year this surplus will be shared equally by general revenues and the department which will get a rebate of interest on its share of the accumulated profits, expected to amount to about Rs. 10 crores at the end of the budget year.

The contribution from the Railways for next year has been taken at Rs. 4.72 crores, the amount provided in the Railway Budget.

Expenditure.

22. The total expenditure in the coming year is estimated at Rs. 322.53 crores of which Defence Services will account for Rs. 157.37 crores and civil expenditure for Rs. 165.16 crores.

23. *Defence Services.*—Following the customary procedure I shall first deal with the Defence estimates. The Defence Budget for the coming year shows an increase of Rs. 1.94 crores over the revised estimate for the current year, the excess in which I largely ascribed to the operations in Kashmir. The House may well ask why with the cease fire in Kashmir there is no decrease in the Defence Budget. The main reason for this is that the reduction in the strength of the armed forces cannot be made over-night and the process of demobilisation has necessarily to be spread over a period similar to the recruitment and training of the forces. The current year's revised estimates reflect the expenditure on the gradual building up of our strength while the budget for next year would reflect the gradual reduction in that strength. Since both the processes take time the average strength of the troops during the budget year is unlikely to differ materially from that in the current year. In framing the budget for next year we have taken into account the improvement in the Kashmir situation following the cease fire and our hope that this cease fire will eventually lead to a peaceful solution of the problem. The House will naturally not expect me to go into greater detail in this matter but I must utter a warning that if for any unforeseen reason these hopes on which we have based our estimates are not realised, it may be necessary to exceed the provision now proposed. It has also to be remembered that the recent grant of an *ad hoc* dearness allowance to employees of the Central Govern-

ment has added Rs. 4 crores to the Defence Budget next year. The budget for next year also includes additional provision for the expansion of the Navy and the Air Force. As the House is aware, our Navy till recently consisted of only a few sloops and frigates designed primarily for port defence but with the achievement of independence the Navy has been called upon to shoulder greater responsibilities than before, for which it is necessary to have a balanced force, complete with aircraft carriers, cruisers, destroyers and submarines. With this end in view, Government have recently approved the first phase of a 10-year plan for the Navy, confined mainly to the recruitment and training of the personnel in the various branches of the Navy. The last war proved conclusively the overwhelming importance of the fleet air arm and the House will be glad to know that a beginning has already been made in this respect and that the budget includes provision for the establishment of a fleet air arm. With regard to the Air Forces also, plans for their expansion and development are going forward. It is hoped to train sufficient technical man-power to make it a more balanced and effective force.

24. Before I pass on to civil estimates I would like to refer to a change in the preparation of the Defence Demands for next year. The provision for supplies and stores which was previously pooled together and included under one Demand for all the three Services, except for certain Naval and Air Force stores, has now been split among the three Services—Army, Navy and Air Force. This change will make the estimates for each Service self-contained to a greater extent than before and enable the Defence authorities to exercise a closer and more efficient control over the expenditure in their respective Services.

25. *Civil Estimates.*—I now come to the Civil Estimates. Details of the estimates under individual heads are, as usual, given in the Explanatory Memorandum circulated with the budget papers and it is unnecessary for me to deal with them at any considerable length here. I should like, however, to refer briefly to certain special items for which provision is included in these estimates. The budget next year includes Rs. 9.85 crores for the relief and rehabilitation of refugees. In addition, a provision of Rs. 23.27 crores has been made in the capital budget, Rs. 21.34 crores for loans for rehabilitation including loans to Provincial Governments and the Rehabilitation Finance Administration and Rs. 1.93 crores for buildings. The expenditure on food subsidies and the payment of bonus on procurement under the revised policy is estimated at Rs. 32.97 crores next year. The estimates also include Rs. 10 crores for the meeting of prepartition claims and Rs. 12.83 crores under the various heads of expenditure for development schemes.

26. Of the total expenditure of Rs. 165.16 crores provided in the budget for next year, Rs. 52.82 crores are accounted for by the expenditure on refugees, the payment for food subsidies and pre-partition payments, leaving Rs. 112.34 crores for normal expenditure. This includes Rs. 10.06 crores for tax collection, Rs. 41.97 crores for obligatory expenditure on payment of interest and pensions and provision for debt redemption, Rs. 2.04 crores for planning and resettlement. Rs. 2.23 crores for expenditure on Currency and Mint, Rs. 2.95 crores for grants-in-aid to Provincial Governments and Rs. 24.20 crores for expenditure in the nation building spheres such as Education, Medical and Public Health, Broadcasting, Aviation and on Scientific Surveys and institutions in which the Central Government largely supplement the work of Provincial Governments. The balance of Rs. 28.89 crores represents the provision for administration, Civil Works, etc. and represents only 17.5 per cent. of the total civil expenditure. In addition to Rs. 24.20 crores in the nation building spheres mentioned above, provision has also been made for the grant of Rs. 26.81 crores to Provincial Governments for development and Rs. 49.25 crores for loans.

27. Honourable Members are aware that in recent months a large number of Indian States have been merged in the neighbouring Indian Provinces or taken over for administration direct by the Centre as part of the policy of unifying the country under the guidance of my distinguished colleague the Deputy Prime Minister. Ultimately the revenue and expenditure of these States have to merge in those of the Provinces or the Centre depending on the subject to which they pertain. But the process of integration is still incomplete and for the present the transactions of these States have been kept separate in a deposit account and not included in the revenue and expenditure of India. If, as may be hoped, the integration is completed in the course of the coming year, these transactions will be included in the revised estimates for the year.

28. On the basis of the estimates of revenue and expenditure that I have explained so far, the anticipated deficit for next year is Rs. 14.79 crores. I shall return to the question of how I propose to deal with this deficit in a later part of my speech.

Post-War Planning and Development

29. I mentioned earlier that as part of the campaign against inflation, Government had to review their whole programme of expenditure and reduce the outlay both in the capital and in the revenue budgets. Even so, substantial amounts have been included in the budget for grants to Provincial Governments and for Central schemes of development. So far as the Provinces are

concerned it is not the intention that the scale of assistance promised to them by the Centre for their development schemes and on which they have formulated their plans should in any way be reduced. All that is happening is that the pace of this assistance is being temporarily slowed down in view of the urgent need for economy and in so doing special care has been taken to see that the progress of productive schemes and schemes of long range importance essential for national development is not held up. The House will remember that last year we laid down the policy that the grant each year from the Centre should be limited to half the amount spent on the approved schemes. Some of the smaller Provinces whose resources are limited asked for the waiver of this condition and in spite of our own difficulties we have agreed for this year and next year to allow them grants up to the total amount they may spend on approved schemes. The budget for next year includes a provision of Rs. 26.81 crores for grants and Rs. 49.25 crores for loans to Provinces for development.

30. For Central schemes of development including resettlement a provision of Rs. 12.83 crores has been made in the revenue budget and Rs. 24.97 crores in the capital budget. Details of the provision are given in the Explanatory Memorandum and among the important schemes I would mention the expansion of the Forest Research Institute, Dehra Dun, the development of the forest estate in the Andamans, the preliminary work on a number of river projects like the Kosi, the Assam Valley, the Narbada, Tapti, and Sabarmati schemes, investigations in Coorg, Central Provinces and Bastar, the reorganisation of the Central Waterways Navigation and Irrigation Research Station, the expansion of the Indian Agricultural Research Institute and the development of basic education. The budget also provides Rs. 2.19 crores for the Central Government's share of the expenditure on the Damodar Valley Scheme, Rs. 90 lakhs for buildings for development schemes, Rs. 4.93 crores for the Fertiliser Factory under construction at Sindri, Rs. 2.92 crores for the expansion of civil aviation and Rs. 96 lakhs for the expansion of Broadcasting.

In the sphere of industrial development a beginning is also being made in the starting of basic industries essential for national development. Among these I would mention the Government Telephone Factory for the manufacture of telephone equipment, the setting up of a Shipping Corporation in which a total sum of Rs. 6.98 crores is expected to be invested this year and next year, the setting up of new steel works and factories for the manufacture of wireless equipment, synthetic oil, machine tools, cables, Diesel engines and heavy electrical equipment. A beginning will be made in the establishment of these industries which will be developed in subsequent years.

Capital Expenditure

31. With regard to capital expenditure I have just mentioned the provision included in the budget for development schemes. The House will doubtless be interested in the provision made in the budget for normal capital expenditure. But before I describe this, I must mention certain special transactions which have been entered in the capital budget this year. The first is the payment to the U.K. Government for the purchase of annuities for meeting the sterling pensions which accounts for a net debit of Rs. 215.68 crores this year and a recovery of Rs. 7.42 crores next year for which credit has been taken. The second is the payment, again to the U.K. Government, as part of the Sterling Balances Agreement of Rs. 133.33 crores for the Defence stores and installations taken over from them against which Rs. 51.57 crores will be recovered this year and Rs. 11.8 crores next year from Pakistan and from the sale of surpluses. The third is the outlay of Rs. 5.93 crores on the acquisition of the shares of the Reserve Bank of India this year. Lastly, there is a provision of Rs. 5.08 crores this year and Rs. 92 lakhs next year for payment to Pakistan for setting up Ordnance factories and other unique institutions. As part of the partition arrangements it was agreed that as most Ordnance factories and institutions like the Security Printing Press and the Currency Note Press were located in India and it was not desirable to break up these institutions, a sum of Rs. 6 crores should be made available to Pakistan for setting up similar institutions in Pakistan. This payment will be added to Pakistan's partition debt to India. Excluding these special items and the provision for development schemes and grants to Provinces the provision for normal capital expenditure amounts to Rs. 44.09 crores this year and Rs. 62.42 crores next year. Of the provision this year, Railways account for Rs. 27.15 crores and the Posts and Telegraphs Department for Rs. 2.91 crores. Next year's budget provides Rs. 28.49 crores for the Railways, Rs. 3.82 crores for Posts and Telegraphs and Rs. 7.9 crores for schemes of State Trading, mainly for the purchase of foodgrains the cost of which will be recovered in the following year.

The House will remember that a provision of Rs. 14.99 crores was made in the budget for the current year for capital outlay on Defence. The actual expenditure is now estimated at Rs. 9.91 crores, the decrease being mainly due to the delay in the completion of certain plans for major works and the procurement of aircraft. For next year a provision of Rs. 15 crores has been included of which Rs. 7.24 crores will be spent on the Army, Rs. 2.79 crores on the Navy and Rs. 4.97 crores on the Air Force.

Ways and Means

32. I now turn to a brief consideration of the ways and means position. The current year's budget provided for a total borrowing of Rs. 150 crores from the market and to a net receipt of Rs. 31.25 crores from small savings. For a variety of reasons to which I have referred in another part of my speech the gilt edged market remained inactive throughout the year with very little investment demand. It was not therefore possible to borrow on the scale originally contemplated. For next year I have made a modest provision of Rs. 85 crores for market loans. But if, as I hope, conditions improve the scale of borrowing will be raised. Next year Government have the option of repaying the 3 per cent. loan 1949-52 with an outstanding balance of Rs. 67 crores. I have assumed that this amount will be repaid and in my estimate of borrowing next year I have taken this return of money to the market also into account. In the present inflationary conditions, it is of the utmost importance for the economy of the country that the community should save as much as possible and lend its savings to the State. I trust that the recent measures taken by Government to meet the inflationary situation would restore public confidence and that this time next year I shall be in a position to give a more heartening picture of public co-operation in the Government's borrowing operations. As regards small savings, there has been in recent months some improvement in the net receipts from Savings Banks and in the sale of National Savings Certificates. The House will remember that last April Government issued two new series of certificates with a currency of five and seven years to cater to the smaller investor and also raised the maximum limit of investment in both Postal Savings Bank and National Savings Certificates in order to stimulate further investment. It is too early to assess the results of these measures but Government are doing all in their power, in co-operation with the Provincial Governments, to stimulate and sustain the small savings movement. It is hoped that the budget anticipations in regard to receipts from this source will be exceeded this year by Rs. 1.6 crores. For next year I have allowed for some further improvement and taken credit for a net receipt of Rs. 37.56 crores.

33. I now pass on to my proposals for dealing with the deficit of Rs. 14.79 crores anticipated in the coming year.

34. The prospective deficit for next year is substantial and I am sure that the House will agree with me that in the present inflationary conditions it should not be left uncovered.

35. The problem before me is not merely that of raising the additional revenue to cover this deficit. I have also to consider the adjustments in taxation necessary in the light of the experi-

ence of the working of the tax system in the period since the House passed the budget for the current year. Fiscal policy is not an end in itself but has to subserve the ends of national policy and in a transitional period like this it is essential to keep the working of the taxation system under constant review and readjust it in the light of changing circumstances.

Apart from inflation, to which I have referred in detail elsewhere, the most disconcerting element in the economic life of the country to-day is a deep, underlying fear of the future, of which the stagnation in the capital market is an index. In my view one of the most urgent tasks before a Finance Minister to-day is to concert measures designed to remove this fear and to secure a revival of confidence. It is clear from recent experience that the formation of capital in this country has been seriously affected, with the result that investments in Government loans and industry have been falling off. Unless this stagnation is checked and conditions are created in which the incentive to save and to invest is revived, the industrial expansion of the country and the execution of the plans for raising the living standards of the people are bound to be delayed. In formulating the proposals which I shall place before the House, I have kept this requirement prominently in mind.

Reliefs in Taxation

36. I shall now deal with the various measures of relief which I propose to give.

In the field of direct taxation, my first proposal is to abolish the Capital Gains Tax. At the time this tax was introduced it was expected to yield a large revenue, but it synchronised with a period of falling values and the yield from this tax has, in consequence, been small. Its psychological effect on investment has, however, been markedly adverse and it has had the effect of hampering the free movement of stocks and shares, without which it is hardly possible to maintain a high level of industrial development. In present circumstances, I consider the retention of this tax ill-advised. The loss of revenue is estimated at Rs. 1 crore.

My second proposal relates to income-tax. Here I propose to give some relief to income-tax payers in the lowest and medium income groups. The tax on incomes upto Rs. 10,000 will be reduced by a quarter of an anna, from one anna to nine pies in the first slab and from two annas to one anna nine pies in the second slab. This class has been severely hit by the rise in prices and a certain degree of relief in their case is amply justified. The loss is estimated at Rs. 3 crores.

My third proposal relates to super-tax. Here I propose two reliefs designed to meet the criticism that the existing level of taxation leaves little incentive for saving and investment and that it is illogical to ignore the differentiation between earned and unearned income above Rs. 1½ lakhs. In respect of earned income I propose a reduction of an anna and a half in the rates charged on incomes above Rs. 1½ lakhs, leaving the maximum rate of tax for income-tax and super-tax together at 14 annas. For unearned income, I propose a reduction of 6 pies in the maximum rate of super-tax. The cost of the two concessions will be Rs. 2.1 crores.

Of the total loss of Rs. 6.1 crores involved in these concessions, Rs. 3 crores will fall on the Provinces by reducing the divisible pool of income-tax and the balance on the Centre.

37. Before I leave the subject of direct taxation I would like to mention two changes which I propose to make. The House will remember that in the budget for the current year my predecessor gave a concession to companies with an income of Rs. 25,000 and below by reducing their income-tax to half the usual rates. This concession was meant to encourage the growth of smaller companies but the reduction, which was allowed in income-tax, has given rise to considerable administrative difficulties, wholly out of proportion to the amount involved or the benefit accruing to the companies. I have carefully reviewed the position and come to the conclusion that while the concession should be maintained it should take the form of a rebate of half the Corporation Tax, and should be limited to public-controlled small companies which are not branches or subsidiaries of bigger companies. The result of this change will be that the entire cost of the concession will fall upon the Centre, and the Provinces will not have to share it. The amount involved is likely to be small and I have therefore made no specific provision on this account in the estimates for next year. The second change relates to the taxation of incomes of privately-controlled companies which do not declare their dividends in India. It may be recalled that there was a serious anomaly in the administration of income-tax law relating to the recovery of super-tax from shareholders, in respect of the dividends paid out of Indian profits, by companies incorporated outside this country. It was difficult to obtain from these companies information concerning the names of their shareholders and the amounts of dividends paid out of Indian profits and there was consequently a considerable loss of revenue. The problem of plugging this leakage was considered last year and my predecessor introduced a scheme whereby an extra tax of one anna was imposed on all such companies with a view partially to recouping the loss. As part of the scheme, an amendment was made to the Income-Tax Act so as to confer personal

immunity from further taxation upon the shareholders of such companies. The amendment however had the effect of conferring immunity from super-tax not only upon the dividends actually received, but also upon the dividends which under the operation of section 23-A of the Income-Tax Act could be deemed to have been received from privately-controlled companies. Therefore, if the matter had been left there, the profits of these companies would have escaped with an overall impost much lighter than that to which they were subject under the previous law. This point was met by applying to this category of companies the rates of income-tax and super-tax prescribed for individuals or associations and the definition of "company" was altered to permit of this being done by executive action. The arrangement has, however, not been satisfactory, and after a careful review of the matter I have decided that instead of attempting to tax each such privately-controlled company as an individual, the principle of applying an average rate should be adopted. I accordingly propose that all corporations, whether Indian or non-Indian, should continue to be treated as companies but a further super-tax of one anna should be paid by those privately-controlled companies that do not distribute their profits in India. I propose to apply this method commencing with the current year. It will not involve any change in the revenue estimates.

38. There is one aspect of the complaint about the high taxation in relation to industry to which I would like to make a passing reference. Owing to the steep rise in the level of prices of raw materials, wages and working costs, larger amounts of working capital are needed to maintain production. Replacement costs are also higher, and there have been complaints that the calculation of depreciation allowance for purposes of taxation on the original cost of the asset involves great hardship. It has been suggested that industries should be allowed to revalue their existing fixed assets at the present day prices so that future depreciation allowance may be given on the basis of the revaluation. The Government of India considered this problem in all its aspects last October and came to the conclusion that while the difficulty complained of was real the solution proposed was not practicable. It would give no assistance to those who have immediately to replace their wornout assets and there was no point in giving a concession to others who, at some future date, may not be required to pay the high prices now prevailing. It was however realised that some relief should be given to those who were prepared to renew and re-equip their capital assets immediately, in spite of the prevailing high costs. It was decided that for all new plant and machinery installed during the five years from the 1st April 1948, depreciation allowance at double the ordinary rate will be allowed. It has also been decided that if by 1st April 1953 there is a drop in the general level of prices,

the difference between the written down value of the assets and the corresponding value at the reduced price will be allowed as an additional depreciation allowance. For existing plant and machinery, it has been decided to grant extra depreciation allowance for increased wear and tear if triple shifts are worked. I trust that these concessions will go a long way in meeting the complaints of industry in this matter. In addition, the concession given last year of a reduced rate of income-tax to companies which do not distribute a part of their profits as dividends, and the recent limitation, for a temporary period, of the amount that may be distributed as dividends will also enable industrial concerns to accumulate reserves for meeting the increased cost of replacement.

39. I now turn to the reliefs in indirect taxation.

The House will remember that in the budget for the current year an export duty was levied on oil seeds and vegetable oils. This was justified at the time by the wide disparity between the internal prices of these commodities and their export prices and it was then felt that the levy of this duty will not affect our export market. The effect of this duty has since been carefully reviewed and it is now clear that its continuance hampers the maintenance of our exports, particularly to the dollar countries, where we have to meet severe competition. In the interests of the export trade I propose to withdraw this duty. The loss in revenue is estimated at Rs. 1.5 crores.

As a measure of assistance to civil aviation and to foster the development of flying clubs and the training of Indian pilots, it is proposed to give a rebate of half the duty on aviation spirit used by air companies, flying clubs and others. This concession is estimated to cost Rs. 40 lakhs.

Honourable Members are aware that it has been the policy of Government to give relief in respect of customs duty on raw materials imported for industry. In pursuance of this policy it is proposed to give relief next year in the case of a number of imported articles, the total cost of such remissions being estimated at Rs. 35 lakhs.

40. The net effect of all the reliefs mentioned so far is a reduction in revenue of Rs. 5.35 crores, raising the prospective deficit to Rs. 20.14 crores.

New and Additional Taxes.

41. Before I deal with proposals for new taxation I would mention certain changes proposed in the postal rates. With the rapid development of a net work of air services over the whole country, it has been decided to utilise this facility for

accelerating the delivery of mails and transmit all first class mails, namely, letter and post cards as far as possible by air. The existing surcharge on air mails will accordingly be abolished and as all mails will be carried over as much of the distance as possible by air, it is proposed to revise the existing rates for letters and post cards. The rate for letters will be raised from 1½ annas to 2 annas for the first tola or fraction thereof. the rate for each subsequent tola or fraction thereof remaining unchanged at 1 anna. For post cards the present charge of six pies will be raised to nine pies, the rate which was in force prior to the 1st July 1946. The net additional revenue from the revision of these rates and the abolition of the surcharge on air mails is estimated at Rs. 2.84 crores.

42. I now come to the problem of covering the remaining deficit of Rs. 17.3 crores. It is obvious that at the present level of taxation there is now no scope for raising additional revenue by an increase of direct taxes. As regards customs duties, the level of our import duties is, in my opinion, so high that no substantial increase in revenue is likely to result from enhancing them. The levy of export duties has to be carefully regulated with reference, not so much to our revenue needs, as to the need for maintaining and developing the country's export trade which earns the foreign exchange necessary for financing essential imports. While some adjustments may be found possible in respect of import duties, and export duties could be utilised to some extent, we can no longer rely on customs duties for raising substantial additional revenue and we shall have to depend largely on developing excise duties.

43. I shall first deal with customs duties. I propose to retain on the tariff next year the changes made by ordinance in November last as part of the campaign against inflation and complete the process of raising the duties on luxury items, which was then begun, by a number of further minor changes in the tariff. To this effect I propose to levy a surcharge on liquor equivalent to the basic duty, to raise the surcharge from one-fifth to one-half on fabrics containing silk, art silk, woollens and their mixtures and cotton knitted apparel, to double the surcharge on artificial silk yarn and thread, earthenware and china, and to raise the duty on paper (other than newsprint), stationery articles, glass and glassware including sheet and plate glass, cutlery, metal furniture, flashlights, photographic appliances and clocks and watches. The additional revenue from all these changes is estimated at Rs. 2.4 crores.

I also propose to raise the import duty on motor spirit from 12 annas a gallon to 15 annas a gallon. The excise duty will also be similarly raised. This will bring the duty on motor

spirit to the level in 1945-46, when consumption of this article was regulated by more severe austerity standards, and bring in an additional revenue of Rs. 2.55 crores, taking Customs and Central Excises together. I have carefully considered the implications of this course on transport and am satisfied that it will not retard the development of transport or add materially to the cost of road transport.

My next proposal is to raise the import duty on betelnuts from 5 annas a lb. to 7½ annas a lb., with the present preference of 6 pies a lb. for imports from British colonies. This will bring in additional revenue and will also be in the interests of the indigenous grower. The yield is estimated at Rs. 1 crore.

In the sphere of export duties I propose a new duty of 15 per cent. *ad valorem* on exports of cigarettes, cigars and cheroots. I am satisfied that this will not affect the export market for these goods. The estimated yield is Rs. 60 lakhs.

44. I now turn to changes in Central Excise Duties. I have already referred to the increase in the excise duty on motor spirit as complementary to the increase in the import duty. I propose further changes in respect of sugar, tyres for motor vehicles and cotton cloth. I propose to increase the duty on sugar from Rs. 3 per cwt. to Rs. 3-12-0 per cwt., to yield Rs. 1.5 crores. The duty on tyres used for motor vehicles will be raised from 15 per cent. *ad valorem* to 30 per cent. *ad valorem*, to bring an additional revenue of Rs. 70 lakhs. As regards cotton cloth, as the House is aware, a duty of 25 per cent. *ad valorem* was levied on superfine cloth with effect from 1st January 1949, as one of the measures against inflation. This duty will be continued next year and in addition, it is proposed to levy a duty of 6¼ per cent. *ad valorem* on fine cloth and a quarter anna per yard on coarse and medium cloth. The duty will be confined to mill-made cloth and will not be applicable to cloth woven on handlooms. The revenue from this additional duty on cotton cloth is estimated at Rs. 9 crores.

45. The excise duty on cloth has a long and bitter history behind it and I must explain to the House my reasons for introducing it. In the first place, the circumstances in which we are levying the duty to-day are different from those in which it was levied by a foreign Government in the interests of a foreign industry. In the second place, it is necessary to replace the heavy loss in revenue resulting from the abolition of the salt duty by developing some other equally stable source of revenue. Cloth, with a large internal production and as an article of universal consumption, offers itself as the most obvious choice for a tax on consumption. Thirdly, in the present conditions, as the price of imported cloth remains high and the import duties thereon

have been enhanced considerably, the proposed excise duty is not likely to affect the indigenous industry. I would also mention that this duty is likely to assist the handloom industry. During the war years when there was no control on handloom cloth and supplies for civilian use were restricted the handloom industry had an assured market for its products. With the Indian mills steadily expanding their production and imports from overseas also tending to increase, the advantages which the handloom industry had during the war years will gradually disappear. The excise duty now proposed, which adds slightly to the cost of the mill product, will, in some measure, help the handloom industry to retain its market. From the point of view of the consumer the incidence of this duty, particularly on the middle and lower middle classes using coarse and medium cloth, will be negligible and in view of the substantial revenue that is expected from it I trust the House will accord its approval to it.

46. While on the subject of Central excises, I may mention the question of rationalising the duty on matches, which I have had under consideration for some time. The ideal arrangement will be to have one standard size of matches but owing to practical difficulties in production it is not possible to achieve this. I have therefore decided that two sizes, namely, 40s and 60s should continue in production for the home market and I have made some slight readjustment in the rate of the duty. Factories whose annual output is less than 5 lakhs gross boxes will now benefit by the levy of a somewhat lower rate of duty. Necessary amendments to the tariff will be made through the Finance Bill but this will not involve any change in the revenue estimates. With the provision of the two sizes I hope that the retail prices will not exceed 6 pies and 9 pies per box and that the consumer will get the benefit of the partial standardisation without any loss of revenue to the exchequer.

Net Results of Proposals.

47. I may now summarise the net effect of all the proposals that I have placed before the House. The various measures of relief which I have suggested in direct taxes will result in a loss of revenue of Rs. 3.1 crores; the abolition of the export duty on oil seeds and vegetable oils will involve a loss of Rs. 1.5 crores; and the rebate of duty on aviation spirit and industrial raw materials will cost a further sum of Rs. 75 lakhs. As I have already stated, this will bring the total loss of revenue to Rs. 5.35 crores, raising the prospective deficit from Rs. 14.79 crores to Rs. 20.14 crores. The increases in customs duties and, the new export duty on cigarettes and cigars will yield Rs. 6.23 crores, the net increase in Postal rates Rs. 2.84 crores, and the increases in Central Excise Duties Rs. 11.52 crores. The final effect of these proposals

is to convert the prospective deficit into a small surplus of Rs. 45 lakhs.

Conclusion.

48. Sir, I have come to the end of my story. It is not pleasant for a Finance Minister to appear before the House with a record of deficits and proposals for additional taxation but a Finance Minister is as much the creature of circumstances as any one else. Part of the heavy expenditure which Government have now to meet is due to extraordinary circumstances and but for these special demands, the budget would have shown a substantial surplus. As I have mentioned earlier, the present economic conditions in the country make it an imperative necessity to balance the budget. In laying fresh burdens of taxation the House will accept my assurance that I have done my best to secure that they are equitable and that no section of the community is made to pay more than its fair share.

49. On a survey of world conditions to-day, I feel that we have good reason for taking a hopeful view of our financial position. We are not alone in having to fight scarcities and inflation. These problems confront most countries in the post-war world. We can, however, take comfort from the fact that, unlike some other countries, our financial position is intrinsically sound. We have only a moderate public debt in relation to our national income and we have considerable external reserves with practically no external debt. We have weathered the storm and stress of the partition and its terrible aftermath. In spite of the heavy demands on our resources for the relief and rehabilitation of refugees, the import of food on an unprecedented scale from overseas and the defence of Kashmir against aggression, we are in a position to balance our budget, without sacrificing any of our essential schemes of development. We have made some headway in the fight against inflation. The curve of production is slowly rising and we have plans in hand for increasing the food production of the country. I do not wish in any way to minimise our difficulties or suggest that we can take a complacent view of the situation. A balanced national budget may, and often does, cover a multitude of ill-balanced family budgets. In this respect, we have still a formidable task ahead of us, the task of fighting want, sickness and poverty and raising the living standards of the millions to whom the emancipation of the country will be a mockery unless it is translated in terms of opportunities for a fuller, freer and better life. This task is not beyond our resources but it requires the co-operation of all classes and sections of the community in a spirit of partnership in a high adventure. I have no doubt that this co-operation will be forthcoming and I pray that my stewardship of the finances of the country may contribute in some degree to the accomplishment of this task.

SUMMARY OF FINAL ESTIMATES.

Revenue.

(In lakhs of Rs.)

	Revised 1948-49	Budget 1949-50
Customs	117,25	107,25 +3,98*
Central Excise Duties	50,25	57,75 +11,52*
Corporation Tax	57,25	41,81
Taxes on Income other than Corporation Tax	100,75	113,19 —6,10*
Opium	1,08	1,18
Interest	1,42	1,19
Civil Administration	7,05	6,78
Currency and Mint	13,05	9,70
Civil Works	1,02	1,02
Pre-partition Receipts	13,40	..
Other Sources of Revenue	6,52	5,37
Posts and Telegraphs Net Contribution	3,73	1,63 +2,84*
Railways—		
Net Contribution	7,34	4,72
Deduct—Share of Income-tax revenue payable to Provinces	—41,79	—43,85 +3,00*
Total Revenue	338,32	322,98

Expenditure.

Direct demands on revenue	9,88	10,06
Irrigation	8	12
Debt Services	39,91	39,29
Civil Administration	38,35	40,50
Currency and Mint	2,76	2,23
Civil Works	8,15	7,32
Pensions	2,68	2,68
Miscellaneous—		
Expenditure on refugees	19,45	9,85
Subsidy on foodgrains	31,96	32,97
Other expenditure	5,30	5,12
Grants to Provinces, etc.	2,96	2,96
Extraordinary items	2,21	2,06
Defence Services (net)	155,43	157,37
Pre-partition Payments	20,75	10,00
Total Expenditure	339,87	322,53
Deficit	—1,55	Surplus +45

*Budget proposals.

THE INDIAN FINANCE ACT, 1949.

ACT NO. XIV OF 1949.

An Act to give effect to the financial proposals of the Government for the year beginning on the first day of April 1949.

Whereas it is expedient to discontinue the duty on salt, to fix maximum rates of postage under the Indian Post Office Act, 1898, to alter certain duties on customs and excise, to levy certain additional duties of customs and excise, to fix rates of, and make certain provisions relating to, income-tax and super-tax and to continue, for a period of one year, the tax imposed by the Business Profits Tax Act, 1947 ;

It is hereby enacted as follows :—

1. *Short title and extent.*—(1) This Act may be called the Indian Finance Act 1949.

(2) It extends to all the Provinces of India.

2. *Discontinuance of salt duty.*—For the year beginning on the 1st day of April, 1949, no duty shall be levied on salt manufactured in, or imported by sea, or by land into, the Provinces of India.

3. *Inland postage rates.*—For the year beginning on the 1st day of April, 1949, the Schedule contained in the First Schedule to this Act, shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act.

4. *Alteration of certain duties of customs.*—In the First Schedule to the Indian Tariff Act, 1934 :—

(*a*) In Item No. 9 (5), for the entry in the fourth column, the entry " Seven annas and six pies per lb. " shall be substituted, and for the entry in the sixth column, the entry " Seven annas per lb." shall be substituted ;

(*b*) in Item No. 24, for the entry in the fourth column, the entry " Rs. 16-4-0 per lb." shall be substituted ;

(*c*) in Item No. 24 (1) for the entry in the fourth column, the entry " 37½ per cent. *ad valorem* plus Rs. 15-10-0 per lb." shall be substituted ;

(*d*) in Item No. 24 (2), for the entry in the fourth column, the entry " 37½ per cent. *ad valorem* plus Rs. 39-1-0 per thousand or Rs. 15-10-0 per lb. whichever is higher " shall be substituted ;

(*e*) for Item 28 (14), the following Item shall be substituted, namely :—

" 28(14)	Toilet Requisites not otherwise specified.	Revenue	37½ per cent. *ad valorem*.	.."

(*f*) in each of the Items Nos. 34 (3), 51, 61 (8), 61 (9), 78, 82 (1) and 85 (1), for the entry in the fourth column, the entry "75 per cent. *ad valorem*" shall be substituted;

(*g*) in each of the Items Nos. 44, 45, 60, 71 (2) and 71 (3), for the entry in the fourth column, the entry "37½ per cent. *ad valorem*" shall be substituted;

(*h*) after Item No. 60 (5), the following Item shall be inserted, namely:—

"60(6)	Sheet and plate glass	Revenue	45 per cent. *ad valorem.*	...";

(*i*) in Item No. 73 (2), the words "flash lights" shall be omitted;

(*j*) after Item No. 73 (13) the following Item shall be inserted, namely:—

"73(14)	Flash lights	Revenue	37½ per cent. *ad valorem.*	...";

(*k*) in Item No. 77 the words "including photographic" shall be omitted; and

(*l*) after Item No. 77 (4), the following Item shall be inserted, namely:—

"77(5)	Photographic instruments, apparatus and appliances.	Preferential Revenue.	45 per cent. *ad valorem.*	33 per cent. *ad valorem.*";

5. *Additional duties of Customs.*—When any goods chargeable with a duty of customs under the First Schedule to the Indian Tariff Act, 1934, or under that Schedule read with any notification of the Central Government for the time being in force, are assessed to duty, there shall, up to the 31st day of March, 1950, be levied and collected as an addition to, and in the same manner as, the total amount so chargeable—

(*a*) a sum equal to such amount, in the case of goods comprised in Items Nos. 22 (2) and 22 (4);

(*b*) a sum equal to one-half of such amount, in the case of goods comprised in Items Nos. 48, 48 (1), 48 (2), 48 (4), 48 (5), 48 (6), 48 (7), 48 (8), 48 (10) and 51 (2);

(*c*) a sum equal to two-fifths of such amount in the case of goods comprised in Items Nos. 47 (2), 59 (2), 59 (4) and 59 (5) and

(*d*) a sum equal to one-fifth of such amount in the case of goods comprised in any item of the said Schedule other than those specified in clause (*a*), (*b*), or (*c*) of this section or in the Second Schedule to this Act:

Provided that in the case of goods comprised in Items Nos. 48 to 48 (10), both inclusive, if the duty of excise for the time being leviable on like goods exceeds the sum of—

(i) the duty of customs chargeable under the First Schedule to the Indian Tariff Act, 1934, or under that Schedule read with any notification of the Central Government for the time being in force, and

(ii) the additional duty of customs chargeable under clause (*b*) or (*d*) of this section.

there shall, up to the 31st day of March, 1950, be levied and collected as a further addition to, and in the same manner as, the duties of customs so chargeable an amount equal to the aforesaid excess.

6. *Imposition and alteration of certain export duties.*—In the Second Schedule to the Indian Tariff Act, 1934,

(*a*) in Item No. 1, for the words and brackets "Raw jute (other than Bimlipatam jute)" in the entry in the second column, the word and brackets "Raw jute (including Bimlipatam jute and mesta fibre)" shall be substituted;

(*b*) in Item No. 2, for the words and brackets "Jute manufactures (other than of Bimlipatam jute)", in the entry in the second column, the words and brackets "Jute manufactures (including manufactures of Bimlipatam jute and of mesta fibre)" shall be substituted;

(*c*) in Item No. 6, for the entry in the third column, the entry "10 per cent., *ad valorem*" shall be substituted;

(*d*) items Nos. 8 and 9 shall be omitted; and

(*e*) after Item No. 7, the following Item shall be inserted, namely :—

"8.	Cigarettes, cigars and cheroots	15 per cent. *ad valorem*."

7. *Imposition and alteration of certain duties of excise.*— In the First Schedule to the Central Excises and Salt Act, 1944,

(*a*) In Item No. 2 for sub-items (1) and (2), the following shall be substituted, namely :—

"(1) Matches, in boxes containing 60 matches on an average, if manufactured in a factory whose output—

(i) exceeds five hundred thousand gross of boxes per year.	Three rupees per gross of boxes.
(ii) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes per day.	Two rupees, fifteen annas and three pies per gross of boxes.

(iii) does not exceed one hundred gross of boxes per day.	Two rupees and fourteen annas per gross of boxes.

(2) Matches, in boxes containing 40 matches on an average, if manufactured in a factory whose output—

(i) exceeds five hundred thousand gross of boxes per year.	Two rupees per gross of boxes.
(ii) does not exceed five hundred thousand gross of boxes per year but exceeds one hundred gross of boxes per day.	One rupee fifteen annas and six pies per gross of boxes.
(iii) does not exceed one hundred gross of boxes per day.	One rupee and fifteen annas per gross of boxes."

(*b*) in Item No. 4 for the entry in the third column, the entry " Fifteen annas per imperial gallon " shall be substituted;

(*c*) in Item No 8 for the entry in the third column against sub-item (1), the entry " Three rupees and twelve annas per cwt." shall be substituted;

(*d*) for Item No. 10, the following item shall be substituted, namely :—

" 10. TYRES—

' Tyres ' means a pneumatic tyre in the manufacture of which rubber is used, and includes the inner tube and the outer cover of such a tyre.

(1) Tyres for motor vehicles	30 per cent. *ad valorem*.
(2) All other tyres	15 per cent. *ad valorem*."

and

(*e*) Item No. 12 inserted by section 2 of the Central Excises and Salt (Amendment) Ordinance, 1949, shall be omitted, and the following item inserted in lieu thereof, namely :—

" 12. CLOTH—

' Cloth ' means any type of cloth manufactured either wholly from cotton or partly from cotton and partly from any other material, but does not include

(i) ready made clothing other than dhotees and sarees;

(ii) hosiery;

(iii) leather cloth and inferior or imitation leather cloth ordinarily used in book-binding;

(iv) tracing paper;

(v) cloth manufactured partly from cotton and partly from wool and containing 40 per cent. or more of wool by weight;

(vi) rubberised or synthetic waterproof fabrics whether single-textured or double-textured; and

(vii) hand-loom cloth.

(1) Superfine cloth—that is to say, cloth in which the count of warp yarn (whether single or folded) is 48s. of finer.	Twenty-five per cent. *ad valorem*.

(2)	Fine cloth—that is to say, cloth in which the count of warp yarn (whether single or folded is 35s or finer but does not exceed 47s.	Six and one-fourth per cent. *ad valorem*.
(3)	Medium cloth—that is to say, cloth in which the count of warp (whether single or folded) is 17s or finer but does not exceed 34s.	Three pies per yard.
(4)	Coarse cloth—that is to say, all other cloth in which the count of warp yarn (whether single or folded) does not exceed 16s.	Three pies per yard."

8. (1) The following amendments shall be made in the Indian Income-tax Act, 1922 (hereafter in this Act referred to as " the Income-tax Act "), namely :—

(*a*) for clause (6) of section 2, the following clause shall be substituted, namely :—

" (6) ' company ' means—

(i) any Indian company, or

(ii) any association, whether incorporated or not and whether Indian or non-Indian, which is or was assessable, or was assessed, as a company for the assessment for the year ending on the 31st day of March, 1948, or which is declared by general or special order of the Central Board of Revenue to be a company for the purposes of this Act " ;

(*b*) in the last proviso to clause (6A) of section 2, after the figures " 1946 ", the words and figures " or after the 31st day of March, 1948 " shall be inserted ; and

(*c*) in sub-section (1) of section 12B, after the figures " 1946," the words and figures " and before the 1st day of April, 1948 " shall be inserted.

(2) The amendment made by clause (*a*) of sub-section (1) shall be deemed to be operative so as to apply in relation to all assessments subsequent to the assessment for the year ending on the 31st day of March, 1948, whether such assessments have, or have not, been made before the commencement of this Act.

9. *Income-tax and super-tax.*—(1) Subject to the provisions of sub-sections (3), (4), (5) and (6), for the year beginning on the 1st day of April, 1949,

(*a*) income-tax shall be charged at the rates specified in Part I of the third Schedule, and

(*b*) rates of super-tax shall, for the purposes of section 55 of the Income-tax Act, be those specified in Part II of the Third Schedule.

(2) In making any assessment for the year ending on the 31st day of March, 1950, there shall be deducted from the total income of an asssessee, in accordance with the provisions of section 15A of the Income-tax Act, an amount equal to one-fifth of the earned income, if any, included in his total income, but not exceeding in any case four thousand rupees.

(3) In making any assessment for the year ending on the 31st day of March 1950,

(*a*) where the total income of an assessee, not being a company, includes any income chargeable under the head "salaries" as reduced by the deduction for earned income appropriate thereto, or any income chargeable under the head "Interest on securities," or any income from dividends in respect of which he is deemed under section 49B of the Income-tax Act to have paid income-tax imposed in British India, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Indian Finance Act, 1948, on his total income the same proportion as the amount of such inclusions bears to his total income ;

(*b*) where the total income of an assessee, not being a company, includes any income chargeable under the head "salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable, according to the rates applicable under the operation of the Indian Finance Act, 1948, on his total income the same proportion as the amount of such inclusion bears to his total income.

4. In making any assessment for the year ending on the 31st day of March, 1950, where the total income of an assessee consists partly of earned income and partly of unearned income, the super-tax payable by him shall be—

(i) on that part of the earned income chargeable under the head "salaries" to which clause (*b*) of sub-section (3) applies, the amount of super-tax computed in accordance with the provisions of that sub-section, plus

(ii) on the remainder of the earned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of earned income the same proportion as such remainder bears to his total income, plus

(iii) on the unearned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of unearned income the same proportion as the unearned income bears to his total income.

(5) In making any assessment for the year ending on the 31st day of March 1950—

(*a*) where the total income of a company includes any profits and gains from life insurance business, the super-tax otherwise payable by the company on the whole of such total income shall be reduced by an amount which bears to that super-tax the same proportion as the amount of such inclusion bears to its total income or by an amount computed at the rate of two annas in the rupee on the amount of such inclusion, whichever is less;

(*b*) where the total income of an assessee, not being a company, includes any profits and gains from life insurance business the income-tax and super-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of such taxes payable according to the rates applicable under the operation of the Indian Finance Act, 1942, on his total income the same proportion as the amount of such inclusion bears to his total income, so however that the aggregate of the taxes so computed in respect of such inclusion shall not in any case exceed the amount of tax payable on such inclusion at the rate of five annas in the rupee.

(6) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, but with reference to the rates imposed by sub-section (1) and in accordance, where applicable, with the provisions of sub-section (3), (4) and (5) of this section.

(7) For the purpose of making any deduction of income-tax in the year beginning on the 1st day of April, 1949, under sub-section (2) or sub-section (2B) of section 18 of the Income-tax Act from any earned income chargeable under the head "salaries" the estimated total income of the assessee under this head shall, in computing the income-tax to be deducted, be reduced by an amount equal to one-fifth of such earned income, but not exceeding in any case four thousand rupees; but no abatement shall be allowed by the person responsible for paying the salary in respect of any donation made by the assessee to which section 15B of the Income-tax Act is or may be applicable.

(8) For the purposes of this section and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-

tax, as the case may be, in accordance with the provisions of the Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

10. *Reassessment of super-tax in the case of certain companies.* —(1) Notwithstanding anything contained in sub-section (1) of section 9 of, or paragraph D of Part II of the Second Schedule to, the Indian Finance Act, 1948, the rate of super-tax for the purposes of section 55 of the Income-tax Act and for the year beginning on the 1st day of April 1948, shall be four annas per rupee of the total income in the case of any company not entitled to the rebate allowed by the proviso to paragraph D of Part II of the Second Schedule to the Indian Finance Act, 1948, unless it was—

(*a*) a public company whose shares were offered for sale in a recognised Stock Exchange at any time during the previous year, or

(*b*) a company all of whose shares were held at the end of the previous year by one or more such public companies as aforesaid.

(2) For the purposes of sub-section (1), a company shall be deemed to be a public company only if it is neither a private company within the meaning of the Indian Companies Act, 1913, nor a company in which shares carrying more than fifty per cent. of the total power were, at any time during the previous year, held or controlled by less than six persons.

(3) Where the assessment for the year beginning on the 1st day of April 1948, has been made before the commencement of this Act in respect of any company to which sub-section (1) of this section applies, it shall be revised by the Income-tax Officer so as to give effect to the provisions of that sub-section.

11. *Business Profits Tax.*—(1) In sub-clause (*a*) of clause (4) of section 2 of the Business Profits Tax Act, 1947, for the figures "1948" the figures "1949" shall be substituted.

(2) The tax imposed by section 4 of the said Act shall, in respect of any chargeable accounting period beginning after the 31st day of March 1948, be an amount equal to 10 per cent. of the taxable profits.

(3) For the purposes of the said Act, "abatement" shall mean, in respect of any chargeable accounting period beginning after the 31st day of March 1948, a sum which bears—

(*a*) in the case of a company not being a company deemed for the purposes of section 9 of the said Act to be a firm, to a

sum equal to six per cent. of the capital of the company on the first day of the said period, computed in accordance with Schedule II to the said Act, or two lakhs of rupees, whichever is greater, or

(*b*) in any other case, to two lakhs of rupees,

the same proportion as the said period bears to the period of one year.

12. The Indian Tariff (Amendment) Ordinance, 1948, and the Central Excises and Salt (Amendment) Ordinance, 1949, are hereby repealed.

THE FIRST SCHEDULE

(See section 3)

Schedule to be inserted in the Indian Post Office Act 1898. (*VI of* 1898)

THE FIRST SCHEDULE

Inland Postage Rates.

(See section 7.)

Letters.

For a weight not exceeding one tola	Two annas.
For every tola, or fraction thereof, exceeding one tola	One anna.

Postcards.

Single	Nine pies.
Reply	One and a half annas.

Book, Pattern and Sample Packets.

For the firstfive tolas or fraction thereof ..	Nine pies.
For every additional two and a half tolas, or fraction thereof, in excess of five tolas ..	Three pies.

Registered Newspapers.

For a weight not exceeding ten tolas	Three pies.
For a weight exceeding ten tolas and not exceeding twenty tolas	Six pies.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Six pies.
In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet—	
For a weight not exceeding ten tolas ..	Six pies.
For every additional five tolas, or fraction thereof, in excess of ten tolas	Three pies.

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the post office.

Parcels.

For a weight not exceeding forty tolas.. ..	Six annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Six annas.

THE SECOND SCHEDULE.

(See section 5)

Goods on which additional duty of customs is not leviable.

A. Goods comprised in the following items of the First Schedule of the Indian Tariff Act 1934, namely :—

Nos. 2, 4, 4 (1), 4 (3), 4 (4), 4 (5), 7 (1), 8 (1), 8 (2), 8 (3), 8 (4), 8 (5), 9 (3), 9 (5), 9 (6), 9 (7), 11 (4), 11 (5), 12 (6), 13 (4), 13 (8), 13 (9), 15, 15 (5), 15 (9), 15 (10), 15 (11), 15 (12), 16, 16 (1), 16 (3), 20 (1), 20 (2), 20 (3), 20 (4), 20 (5), 20 (6), 20 (7), 20 (8), 20 (9), 21 (3), 21 (4), 21 (5), 21 (6), 21 (7), 21 (8), 21 (9), 22 (3), 22 (5), 24, 24 (1), 24 (2), 24 (3), 25 (1), 27 (1), 27 (2), 27 (3), 27 (4), 27 (5), 27 (6), 27 (9), 28, 28 (8), 28 (14), 28 (15), 28 (16), 28 (17), 28 (18), 28 (19), 28 (20), 28 (21), 28 (22), 28 (23), 28 (24), 28 (25), 28 (26), 28 (27), 28 (28), 28 (29), 28 (30), 29, 29 (1), 30, 30 (1), 30 (2), 30 (9), 30 (10), 30 (11), 30 (12), 30 (13), 31 (4), 34 (3), 40 (4), 40 (5), 40 (6), 40 (7), 43, 44, 44 (1), 45, 45 (3), 46 (3), 49, 49 (2), 51, 52 (4), 53 (2), 55, 55 (1), 55 (2), 55 (3), 60, 60 (2), 60 (3), 60 (4), 60 (5), 60 (6), 61 (2), 61 (3), 61 (8), 61 (9), 61 (11), 62 (1), 62 (2), 63 (30), 63 (31), 63 (32), 63 (33), 63 (34), 63 (35), 64, 64 (3), 64 (4), 65, 67, 67 (1), 67 (2), 68, 68 (2), 69 (2), 70, 70 (1), 70 (2), 70 (3), 70 (4), 70 (5), 70 (6), 70 (9), 71 (2), 71 (3), 71 (7), 71 (8), 71 (9), 71 (10), 72, 72 (1), 72 (2), 72 (3), 72 (4), 72 (5), 72 (11), 72 (12), 72 (13), 72 (14), 72 (15), 72 (16), 72 (17) 72 (18), 72 (19), 72 (20), 72 (21), 72 (22), 72 (23), 72 (24), 72 (25), 72 (26), 72 (27), 72 (28), 73 (2), 73 (4), 73 (7) 73 (8), 73 (9), 73 (10), 73 (11), 73 (12), 73 (13), 73 (14), 74 (2), 74 (4), 75 (1), 75 (5), 75 (6), 75 (7), 75 (8), 77 (2), 77 (4), 77 (5), 78, 78 (1), 79, 82 (1), 84, 84 (1), 85 (1).

B. Goods comprised in the following items of the First Schedule to the Indian Tariff Act, 1934, when the Customs Collector is satisfied that such goods are the produce or manufacture of Burma, namely :—

No. 7 (potatoes and onions only) and Nos. 9, 9 (3), 13 (2), 17 and 34 (4) (a).

THE THIRD SCHEDULE.

(See section 9)

PART I

Rates of Income-Tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which paragraph B or C of this Part applies—

		Rates.
1.	On the first Rs. 1,500 of total income ..	*Nil.*
2.	On the next Rs. 3,500 of total income ..	Nine pies in the rupee.
3.	On the next Rs. 5,000 of total income ..	One anna and nine pies in the rupee.
4.	On the next Rs. 5,000 of total income ..	Three and a half annas in the rupee.
5.	On the balance of total income	Five annas in the rupee.

Provided that—

(i) no income-tax shall be payable on a total income which, before deduction of the allowance, if any, for earned income, does not exceed the limit specified below :

(ii) the income-tax payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds the said limit ;

(iii) the income-tax payable on the total income as reduced by the allowance for earned income shall not exceed either—

(a) a sum bearing to half the amount by which the total income (before deduction of the allowance for earned income) exceeds the said limit the same proportion as such reduced total income bears to the unreduced total income, or

(b) the income-tax payable on the income so reduced at the rates herein specified—

whichever is less.

The limit referred to in the above proviso shall be—

(i) Rs. 5,000 in the case of every Hindu undivided family which satisfies as at the end of the previous year either of the following conditions, namely :—

(a) that it has at least two members entitled to a share on partition who are not less than 18 years of age ; or

(b) that it has at least two members entitled to a share on partition neither of whom is a lineal descendant of the other and both of whom are not lineally descended from any other living member of the family ; and

(ii) Rs. 3,000 in every other case.

B. In the case of every company—

	Rate.
On the whole of total income	Five annas in the rupee.

Provided that in the case of an Indian company—

(i) where the total income, as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax exceeds the amount of any dividends (including dividends payable at a fixed rate) declared in respect of the whole or part of the previous year for the assessment for the year ending on the 31st day of March 1950, and no order has been made under sub-section (1) of section 23A of the Income-tax Act, a rebate shall be allowed at the rate of one anna per rupee on the amount of such excess ;

(ii) where the amount of dividends referred to in clause (i) above exceeds the total income as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, there shall be charged on the total income an additional income-tax equal to the sum, if any, by which the aggregate amount of income-tax actually borne by such excess (hereinafter referred to as " the excess dividend ") falls short of the amount calculated at the rate of five annas per rupee on the excess dividend.

For the purposes of the above proviso, the expression " dividend " shall have the meaning assigned to it in clause (6A) of section 2 of the Income-tax Act, but any distribution included in that expression, made during the year ending on the 31st day of March, 1950, shall be deemed to be a dividend declared in respect of the whole or part of the previous year.

For the purposes of clause (ii) of the above proviso, the aggregate amount of income-tax actually borne by the excess dividend shall be determined as follows :—

(i) the excess dividend shall be deemed to be out of the whole or such portion of the undistributed profits of one or more years immediately preceding the previous year as would be just sufficient to cover the amount of the excess dividend and as have not likewise been taken into account to cover an excess dividend of a preceding year ;

(ii) such portion of the excess dividend as is deemed to be out of the undistributed profits of each of the said years shall be deemed to have borne

tax—

(*a*) if an order has been made under sub-section (1) of section 23A of the Income-tax Act, in respect of the undistributed profits of that year, at the rate of five annas in the rupee, and

(*b*) in respect of any other year, at the rate applicable to the total income of the company, for that year reduced by the rate at which rebate, if any, was allowed on the undistributed profits.

C. In the case of every local authority and in every case in which, under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate—

	Rate.
On the whole of total income	Five annas in the rupee.

PART II

Rates of Super-tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraph of this Part applies—

	Rate, if income wholly earned.	*Rate, if income wholly unearned.*
1. On the first Rs. 25,000 of total income ..	*Nil.*	*Nil.*
2. On the next Rs. 15,000 of total income ..	Two annas in the rupee.	Three annas in the rupee.
3. On the next Rs. 15,000 of total income ..	Three annas in the rupee.	Four and a half annas in the rupee.
4. On the next Rs. 15,000 of total income ..	Five annas in the rupee.	Six annas in the rupee.
5. On the next Rs. 15,000 of total income ..	Six annas in the rupee.	Seven annas in the rupee.
6. On the next Rs. 15,000 of total income ..	Six and a half annas in the rupee.	Eight annas in the rupee.
7. On the next Rs. 50,000 of total income ..	Seven annas in the rupee.	Nine annas in the rupee.
8. On the next Rs.1,00,000 of total income ..	Eight annas in the rupee.	Nine and a half annas in the rupee.
9. On the next Rs.1,00,000 of total income ..	Eight and a half annas in the rupee.	Ten annas in the rupee.
10. On the balance of total income	Nine annas in the rupee.	Ten annas in the rupee.

B. In the case of every local authority—

	Rate.
On the whole of total income	Two annas in the rupee.

C. In the case of an association of persons being a co-operative society (other than the Sanikatta Saltowners' Society in the Bombay Province) for the time being registered under the Co-operative Societies Act, 1912 or under an Act of a Provincial Legislature governing the registration of co-operative societies—

	Rate
1. On the first Rs. 25,000 of total income ..	*Nil.*
2. On the balance of total income	Two annas in the rupee.

D. In the case of every company—

	Rate.
On the whole of total income	Four annas in the rupee.

Provided that—

(i) a rebate at the rate of three annas per rupee of the total income shall be allowed in the case of any company which—

(*a*) in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1950, has made the prescribed arrangements for the declaration and payment in the Provinces of the dividend payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) or (3E) of section 18 of that Act, and

(*b*) is a public company with total income not exceeding Rs. 25,000.

(ii) a rebate at the rate of two annas per rupee of the total income shall be allowed in the case of any company which satisfies condition (*a*), but not condition (*b*), of the preceding clause; and

(iii) a rebate at the rate of one anna per rupee of the total income shall be allowed in the case of any company which, not being entitled to a rebate under either of the preceding clauses, is

(*a*) a public company whose shares were offered for sale in a recognised stock exchange at any time during the previous year, or

(*b*) a company all of whose shares were held at the end of the previous year by one or more such public companies as aforesaid:

Provided further that the super-tax payable by a company the total income of which exceeds Rs. 25,000 shall not exceed the aggregate of—

(*a*) the super-tax which would have been payable by the company if its total income had been Rs. 25,000, and

(*b*) half the amount by which its total income exceeds Rs. 25,000.

Explanation.—For the purpose of this paragraph of this Part, a company shall be deemed to be a public company only if it is neither a private company within the meaning of the Indian Companies Act, 1913, nor a company in which shares carrying more than fifty per cent. of the total voting power were, at any time during the previous year, held or controlled by less than six persons.

THE RAILWAY BUDGET, 1949-50.

Transport Minister's Speach

I rise to present the Budget for Indian Government Railways for the financial year 1949-50, and, in doing so, to invite the attention of honourable members to certain broad results of their administration.

2. With the conditions that prevailed in the country immediately after the transfer of power in 1947 and the manner in which railways had to function under those conditions, the House has been made fully familiar by my predecessor when he introduced the Budgets for the latter 7½ months of 1947-48 and for the year 1948-49. I do not propose to deal with them again on this occasion. The strain of the second world war, the splitting into two of a united railway system, the violent civil

disturbances in the Punjabs, the aggression and fighting in Kashmir, the Hyderabad police action, the general economic and transport upset—these and other similar developments in the country confronted Railway Administrations with problems at once difficult, grave and unprecedented in their nature and intensity. But they tackled them all with determination and vigour and the situation had, after a few months, so far improved that Dr. Matthai was able to tell the House in February last that we had turned the corner. Not only had we then got our feet planted firmly on the road to normalcy but we have since confidently, and with increasing pace, made progress in the direction of a rationalisation and an expansion of the service that railways render to the public. Partition, as a profoundly disturbing factor in our economy, has not spent itself out completely yet. But it is rapidly receding into the background and we are progressively settling down to the new and altered conditions created by it. Railways have registered this trend perhaps even more quickly than other sectors of our economic make up.

3. The story of Indian Government Railways, their actual performance during the last 18 months, their present position and their promise for the future will take me longer to tell than the time I would willingly tax the patience of the House for on any other matter or occasion, but I do hope honourable members will bear with me on the present occasion. It is not my purpose, however, to recount anything like a fairy tale. I shall not seek to exaggerate such small achievements as the railways may claim to their credit; neither shall I gloss over their obvious and many deficiencies. Mine will be an endeavour to give an unvarnished recital of some features of Railway Administration as it has been, and, as I hope it will, in the immediate future, be.

4. I desire at the outset to take honourable members into my confidence and tell them straightaway that there will be no enhancement of railway fares or freights in the coming year. This, I hope, will be received by the House and the country with a sense of relief. One reason for my making this known at once is that, if I reserved it to a later stage of my speech, its surprise value might get discounted on account of its inevitability on the fact and argument preceding it. There is, however, another reason. That, in spite of the Central Pay Commission scales of pay and dearness allowance, of the Adjudicator's Award, of the mounting demand by labour for larger additions to wages, of the continually rising cost of works and stores and the like, we have not yet reached the stage of being compelled to raise fares and freights for financing them in the Budget year is a piece of good fortune which I am naturally anxious honourable members should share with me and the Government from the earliest possible moment. It will, I hope, put honourable members into a

cheerful frame of mind—If nothing else, into a mood for enduring the drab, largely factual, account of finance and administration that it will be my duty to place before them this afternoon.

5. I shall first give a summary of the financial position. For the first time after the partition, figures are available for a three-year period—the actuals of a past or completed year, the revised estimates for the passing or current year and the budget estimates for the coming or budget year. Only in the present case, the year for actuals is a truncated one, being the period of 7½ months from 15th August 1947 to 31st March 1948.

6. Both the budget and revised estimates for this period of 7½ months were based on a number of uncertain factors and were, therefore, vitiated by some amount of guess work. The budget estimate showed a deficit of Rs. 2.69 crores which was raised to Rs. 5.2 crores in the revised estimate. In the accounts of the year, however, the actual gross receipts were Rs. 7 crores less than in the revised estimate but the working expenses also showed a reduction of Rs. 8.75 crores. There was a net improvement of Rs. 37 lakhs under miscellaneous transactions and a saving of Rs. 34 lakhs under interest charges. The actual net deficit was, therefore, Rs. 2.74 crores which was met by withdrawal from the Railway Reserve.

7. In the Budget for the current year the estimate of gross traffic receipts was placed at Rs. 190 crores. Deducting Rs. 3.87 crores on account of worked lines, the traffic receipts of Indian Government Railways were estimated at Rs. 186.13 crores. The chief contributors to the amount under gross traffic receipts were passengers (Rs. 79.54 crores), other coaching traffic (Rs. 13.82 crores), goods (Rs. 94.16 crores), other earnings (Rs. 3.44 crores) and suspense (minus Rs. 96 lakhs). A considerable growth of traffic, both passenger and goods, was relied upon for sustaining these estimates. The experience of actual receipts in the course of the current year indicates that the budget estimates will be bettered substantially. Passenger earnings will account for an increase of Rs. 5.86 crores, other coaching earnings for an addition of Rs. 3.91 crores and goods earnings for a rise of Rs. 3.20 crores. In the case of passenger earnings, it is due to a large increase in the numbers using railways and some decrease in ticketless travelling. An enhancement in the rates for parcels and the larger volume of military traffic maintained throughout the year are responsible for the increase under other coaching earnings. The additional revenue under goods earnings is mainly due to the general revision carried out of the railway rates freight structure with a view to achieving both rationalisation and simplification. The new rates came into effect on the 1st October 1948. The revised estimate figure for passenger earnings is

Rs. 85.40 crores ; for earnings from other coaching traffic Rs. 17.73 crores and for goods earnings Rs. 97.36 crores. Allowing for a drop of 30 lakhs under other earnings and a difference of 1.83 crores under suspense, the total of gross traffic receipts has been placed at Rs. 204.50 crores in the revised estimate of the current year. Deducting Rs. 4.12 crores for worked lines, the traffic receipts of Indian Government Railways will amount to Rs. 200.38 crores.

8. Working expenses for the current year were taken at Rs. 159.78 crores in the Budget but are put at Rs. 168.71 crores in the revised estimate. Ordinary working expenses will be higher by Rs. 8.71 crores due largely to increased expenditure under repairs and maintenance, freight and handling charges on fuel, loss on grainshops and dearness allowance. There will be a small addition of Rs. 11 lakhs to the appropriation to the Depreciation Reserve Fund ; though the capital expenditure is below the estimate, a sum of Rs. 25 lakhs has to be appropriated to the Fund on account of the Darjeeling-Himalayan Railway. Another Rs. 11 lakhs are accounted for by increased payment to worked lines. *Per contra* there will be an improvement of Rs. 13 lakhs under miscellaneous transactions. The net revenue which in the budget estimate was taken at Rs. 32.37 crores will be Rs. 38.07 crores in the revised estimate. From this has to be deducted the amount (Rs. 22.24 crores) of interest on the capital at charge. The net surplus on the year's transactions is thus estimated at Rs. 15.83 crores. I shall be dealing with the disposal of this amount later.

9. The estimates for the budget year 1949-50 have been framed as carefully as it is possible to do now. It is not anticipated that there will be any substantial change in general economic conditions in the country taken as a whole. There is likely to be no worsening of the present position. On the other hand, it might be hoped that such overall change as might express itself will be in the direction of a slight improvement. It is expected that there will be a progressive replacement of outworn locomotives and a consequent improvement in the power position. More traffic will thus be catered for. The new freight rates which were enforced in 1948-49 only for half the year would operate during the whole of the year 1949-50 and bring in an appreciable addition to goods earnings. The food position might, however, be difficult. There will probably be a gradual extension of rationing and scarcity conditions have already made their appearance in parts of the country. A record volume of foodgrains imports is anticipated. All this would mean a larger internal movement of foodgrains which, being low-rated traffic, will probably express itself in some reduction of goods earnings. A slight drop in passenger earnings has been assumed as a result of the introduction of

the new three class accommodation in trains, though the recent trends of the results of this change do not altogether justify this apprehension and there might possibly be some increase under this head. The progressive increase in recent years in the volume of parcels traffic will, it is expected, be maintained in 1949-50. And this, together with the revision of parcels rates introduced from the 1st October 1948, will also bring in some addition. There will, however, be a fall in earnings from military traffic. Based on these anticipations, the budget estimate of gross traffic receipts has been taken at Rs. 210 crores. This is the combined result of a slight reduction under passenger earnings (Rs. 31 lakhs) and under sundry earnings (Rs. 10 lakhs), an improvement under other coaching earnings (Rs. 39 lakhs) and under goods earnings (Rs. 6.04 crores). Deducting receipts of worked lines (Rs. 4.15 crores), the traffic receipts of Indian Government Railways will amount to Rs. 205.85 crores.

10. The estimate of ordinary working expenses has been placed at Rs. 159.03 crores being Rs. 3.17 crores above the figure (Rs. 155.86 crores) in the Revised Estimate of the current year. The additional dearness allowance sanctioned by Government with effect from the 1st January 1949 to all staff drawing not more than Rs. 250 has been provided for the full year at a cost of about Rs. 8 crores. The increase in pay and running allowances of Running Staff will cost another 1⅓rd crores. The total provision on account of cash dearness allowance is estimated at Rs. 28.85 crores to which has to be added the loss on working the restricted Grainshops Scheme, for the benefit of those sections of the staff who have opted for it, Rs. 12.80 crores. For the programme of implementation of the Adjudicator's Award to be carried out in 1949-50, the different Railway Administrations expect to employ about 74,000 additional hands and the consequent increase in the wage bill on this account alone will be about Rs. 4 crores. An increase of Rs. 1.15 crores over the Revised Estimate of the current year will occur under periodical overhauls and other repairs to locomotives and other rolling stock and under track maintenance. For payment of claims for goods lost or damaged other than those relating to pre-partition transactions, an amount of Rs. 1.31 crores has been included. To the total under working expenses (Rs. 159.03 crores) has to be added Rs. 11.47 crores under depreciation and Rs. 1.62 crores for payments to worked lines.

11. The net revenue of the budget year will thus be Rs. 32.32 crores. Deducting Rs. 22.88 crores under interest charges, the net surplus will be Rs. 9.44 crores.

12. I shall now explain how I propose to dispose of the net surplus in each of the two years 1948-49 and 1949-50. According to the arrangements recommended at the time of the last

Budget by a Committee of the House presided over by you, Sir, and accepted by the House, out of the Railway surplus for the year 1948-49, Rs. 4.50 crores were to be credited to General Revenues and an equal amount to the Railway Reserve Fund; the balance and any improvement in the surplus that might accrue during the year were to be credited to the Railway Betterment Fund. The surplus was estimated in the current year's budget at Rs. 9.84 crores and thus the Betterment Fund obtained a credit of Rs. .84 crore. The revised estimate figure for the Railway surplus is, as I have already said, Rs. 15.83 crores, an increase of about 60 per cent. Under the arrangements already referred to, this amount would have had to be distributed as follows :—

General Revenues	Rs. 4.50 crores.
Railway Reserve Fund	Rs. 4.50 crores.
Betterment Fund	Rs. 6.83 crores.

I have, with the concurrence of my hon'ble colleague, the Finance Minister, reviewed the position in the light of compelling considerations. The substantial increase in the total surplus amount and the needs of the general financial position of the country justify an increase of the contribution which Railways may make to General Revenues. Neither of the two usual claimants for the railway share of the surplus, namely, the Railway Reserve Fund and the Railway Betterment Fund stands in their present condition in need of any replenishment. On the other hand, the Railway Depreciation Reserve Fund requires to be strengthened to the maximum possible extent. It has, therefore, been decided to distribute the current year's railway surplus :—

General Revenues	Rs. 7.34 crores.
Railway Betterment Fund	Rs. .84 crore.
Railway Depreciation Reserve Fund	Rs. 7.65 crores.

For the same reasons as in the case of the 1948-49 surplus, the budget surplus for 1949-50 (Rs. 9.44 crores) will be allocated as follows :—

General Revenues	Rs. 4.72 crores.
Railways	Rs. 4.72 crores.

The whole of the Railways' share will be appropriated to the Railway Depreciation Reserve Fund.

13. Expenditure not chargeable to the revenue of the year is financed from three sources, Capital Funds, the Betterment Fund and the Railway Depreciation Reserve Fund. In the budget for the current year, a provision of Rs. 53.29 crores was made for such expenditure. The Assam rail link will, however, cost us Rs. 1½ crores more than what was entered for it in the Budget. In the course of the year we have sanctioned and commenced

additional works not provided for in the budget, such as the Locomotive Building Project at Mihijam—which, hon'ble members will be interested to know, will be renamed Chittaranjan—the doubling of the Anand-Barejadi line on the Baroda-Ahmedabad section of the B. B. & C. I. Railway, the partial doubling of the Delhi-Mathura section and the doubling of the Budni-Barkhera section of the G. I. P. Railway. *Per contra*, the expenditure anticipated on road services will not be fully utilised and some of the works have been dropped or postponed as a part of the measures for fighting inflation. The revised estimate of the expenditure during the year is now placed at Rs. 54 crores, Rs. 27.3 crores under capital, Rs. 3.79 crores under the Betterment Fund and Rs. 22.91 crores under the Railway Depreciation Reserve Fund. The programme for 1949-50 is estimated to cost Rs. 71.15 crores. It does not include the construction of any new line. Rs. 50 lakhs will be spent on the railway-cum-road bridge project over the Ganga at Mokameh. The total cost of this work is Rs. 12 crores and it is expected to take 5 years to complete. The expenditure on the rolling stock programme for the year will be Rs. 36.15 crores and includes 440 locomotives, all on replacement account. Rs. 4 crores will be spent on machinery and Rs. 26.63 crores on other works. The most important of these is the Locomotive Building Project at Chittaranjan, for which there is a provision of Rs. 5.5 crores. Provision has been made for a marshalling yard at Vatva on the B. B. & C. I. Railway and an expenditure of Rs. 1 crore on road services. It is proposed to buy the Pachora-Jamner Railway at a cost of Rs. 21.88 lakhs, out of which Rs. 3.65 lakhs representing the premium will be charged to revenue. For other details, I would request hon'ble members to refer to the Explanatory Memorandum. Although the budget year's programme is for an expenditure of Rs. 71.15 crores, a lump sum cut of 10 per cent. is being made to provide for the usual inability of Railway Administrations to spend the full amount. The net provision entered in the budget is therefore only Rs. 64 crores, out of which Rs. 28.64 crores will come from Capital, Rs. 1.5 crores from the Betterment Fund and Rs. 33.86 crores from the Railway Depreciation Reserve Fund.

14. It is necessary that I should give hon'ble members some particulars about our reserves. In view of the state of the railway finances during the three year period which we have been surveying, as also the likely prospects during the period immediately following, it is safe to assume that there is no likelihood of our having to draw on the Railway Reserve Fund, either for meeting losses or for making contribution to General Revenues. This Fund started the current year with an opening balance of Rs. 6.51 crores. There has been an addition to it during the year of Rs. 5 lakhs, being the net gain on investments in shares of branch line companies. The withdrawal from the Fund amounted

to Rs. 5 lakhs, being arrears of depreciation on the units of replaced rolling stock chargeable to this Fund. The balance at the end of the year will also be Rs. 6.51 crores. No amount is proposed to be added to the Fund during 1949-50, nor is there any need to do so. The balance of Rs. 6.51 crores will, however, stand to the credit of the Fund in that year.

15. According to the practice in vogue since the Betterment Fund was constituted, it has been meeting not only the expenditure on passenger amenities, but also the expenditure on amenities to staff, including quarters for class IV staff and on unremunerative operative improvements costing not more than Rs. 3 lakhs each. The expenditure from the Fund provided in the Budget for the current year for all these purposes was Rs. 5.22 crores. In the course of the Budget debate during February 1948, the House took exception, and I consider rightly, to this Fund being used for financing expenditure other than that relating to passenger amenities. Dr. Matthai then assured the House that its wishes would be respected in the future. In pursuance of this undertaking, the rules for the classification of expenditure have been changed. The change will in the normal course only apply to works started after 31st March 1949, but with a view to fulfilling the spirit of the undertaking given, it has been decided that the amount charged to the Betterment Fund in the year 1948-49 in respect of works in progress on the 1st April 1949 other than those relating to passenger amenities should be written back to Revenue in the accounts of the year 1949-50. Expenditure on amenities to staff and on unremunerative improvements costing not more than Rs. 3 lakhs will, from 1949-50 onwards, be charged direct to Revenue. The actual opening balance in the Fund at the beginning of the current year was Rs. 14.54 crores. The additions to the Fund during the year are Rs. 83.62 lakhs, the share of the Railway surplus and Rs. 41.80 lakhs being the interest on the balance of the Fund. From the total of these three items namely, Rs. 15.79 crores, has to be deducted the amount of withdrawal from the Fund, namely, Rs. 3.79 crores. The closing balance of the Fund in the revised estimate will thus be Rs. 12 crores. In view of this heavy balance and of the slow pace of expenditure from this Fund in the past, particularly on passenger amenities, it has been decided not to make any appropriation to this Fund in the budget year. It will, however, be credited with the interest on the balance of the Fund amounting to Rs. 40.33 lakhs. The expenditure provided for the coming year is only Rs. 1.5 crores and the whole of this will be spent on passenger amenities. The history of this Fund must be somewhat disappointing to honourable members as it is to me. Out of a total expenditure on works from the Fund since its inception, namely Rs. 98 lakhs, the amount that has been spent on passenger amenities proper was

only Rs. 13 lakhs up to the end of 1947-48. And even in the current and budget years, the amounts spent on and provided for passenger amenities, are wholly disproportionate to the requirements. I can find excuses for these shortages, but cannot disguise, from myself or the House, the feeling that more should be done in this direction. The importance of pushing expenditure on passenger amenities is being repeatedly pressed on Railway Administrations and I propose to have an intensive examination of the position carried out early in the coming year with a view to listing works which should be executed and to laying down a programme with time limits for ensuring that such works are carried out with expedition. If, as a result of this intensive drive, it is found possible to spend in 1949-50 more on such works than the Rs. 1.5 crores provided for, I am sure, I shall be able, with the concurrence of my Hon'ble colleague the Finance Minister and the Standing Finance Committee for Railways, to increase the amount to be withdrawn from the Betterment Fund for expenditure on such works.

16. The annual appropriation to the Depreciation Fund is now made at 1/60th of the capital at charge, but withdrawals are made to the full extent of the replacement cost. It has been calculated that, in respect of certain assets like locomotives which have to be replaced in 1949-50, the withdrawal from the Fund will be at the rate of Rs. 8 for every rupee contributed to the Fund in respect of those assets up to the date of replacement! Honourable members will appreciate that at this rate there would be a disastrous depletion of the Fund in the near future. The actual opening balance in the Fund at the beginning of the current year was Rs. 95.93 crores. There will be a withdrawal of Rs. 22.91 crores during the current year and Rs. 33.86 crores during the budget year. The normal appropriation to the Depreciation Fund is Rs. 11.29 crores in 1948-49 and Rs. 11.47 crores in 1949-50. The withdrawals will thus be twice the normal contribution in the current year and three times in the coming year. The closing balance at the end of 1949-50 would have dwindled down to Rs. 61.92 crores but for the special additions to the Fund that we have decided to make; with these additions it will stand at Rs. 74.28 crores. It may be safely assumed that there will be heavy withdrawals from the Fund in the succeeding two or three years also. The position of the Fund at the end of five years from now is a matter which gives grave cause for anxiety. This unsatisfactory position is due mainly to two factors. There is a very large gap between the original cost on which the annual appropriation to the Depreciation Fund is based and the replacement expenditure at present prices. The flat rate of contribution, 1/60th, is out of tune with this gap. Secondly the Depreciation Fund which started in 1924-25 has so far received no contribution in respect of the depreciation on assets in existence

then which had accrued prior to that year. These arrears were estimated at the time at Rs. 20 crores. The Indian Railway Enquiry Committee have recommended that for the next five years an annual contribution of about Rs. 22 crores should be made to the Fund. It is obvious that the whole matter should be carefully examined and our future policy in regard to depreciation should be clearly defined. Pending such an examination, it is necessary that we should strengthen this Fund to the maximum possible extent at every opportunity that presents itself. It has accordingly been decided to pay into the Fund, in addition to the normal contribution and in instalments the 20 crores representing the arrears prior to 1923-24. The result of this policy is expressed in the Budget now presented. The total contribution to be made to the Fund under the decisions that have been taken in regard to the disposal of the Railway surplus will amount to Rs. 18.94 crores in 1948-49 and Rs. 16.19 crores in 1949-50.

17. The convention relating to the separation of Railway from General finance which was adopted by a resolution of the old Central Legislative Assembly in 1924 was, as honourable members are aware, intended to remain in force for at least three years and was to be thereafter subject to periodic revision. There was an abortive attempt by a Committee of the Assembly in 1928 to re-examine this question. For the next 15 years this attempt was not renewed. In 1943, a Railway Convention Committee which was constituted was wound up soon after it issued an interim report. In 1947, during the Budget session, a Committee of the Legislative Assembly was set up for the purpose of investigating this matter, but owing to the far-reaching political changes that followed, the Central Legislative Assembly and its Committee ceased to exist after the Budget session. It has not been possible since, in view of the far more important problems that confronted Government in quick succession, to take up this question. The investigation should, however, no longer be delayed. I shall, therefore, be inviting the House in this session to set up a Committee to go into this matter including also the problems relating to the Depreciation Fund and to make its recommendations before the end of the calendar year.

18. From these details of railway book-keeping, I shall now turn to a subject in which, I am sure, honourable members will feel even more interested namely, railway performance. Our travel, our agriculture and our industries have gradually grown up on a foundation of cheap and adequate rail transport. It is not, therefore, a matter for surprise that its short-comings should come in for frequent, at times carping, criticism. The war, and the partition which followed a little over two years later, are responsible for many of our present difficulties. We have to bear in mind, however, that it takes a considerable amount of time to overtake the effects of such far-reaching and

disturbing events. We have made progress in overcoming them and shall continue to do so.

19. Under passenger traffic, there has been some increase in the number of trains during the current year. Between April and November 1948, 5½ million more train miles were operated than we did during the corresponding period of 1947. The additional trains have reduced overcrowding somewhat and reports recently received appear to indicate that, except in the proximity of towns and fairs, there has been a definite change for the better in this matter. But it is a fact that there has been a larger increase in the number of passengers during the last few years proportionately than the increase in the number of passenger trains and the accommodation therein. There has been consequent overcrowding which can only be relieved gradually. Steps have, however, been taken to produce more coaches. From 1st April 1948 to 1st November 1948, 172 coaches (in terms of four-wheelers) were completed in railway workshops and 272 coaches are now in process of construction. 100 improved type of class III all metal coaches 10′ wide equipped with electric fans are on order with the Hindustan Aircraft Ltd., Bangalore. A few of these have already been delivered and are in use on the M. & S. M. Railway. The remainder will be delivered during the year 1949-50. Orders have also been placed for 250 coach body shells with the Wagon Manufacturing Panel and in the U.K. for 112 electric multiple unit suburban coaches for the G. I. P. and B. B. & C. I. Railways. 251 broad-gauge coaches have also been returned by the Ministry of Defence since 1st April 1948. In spite, however, of these steps, the conditions of travelling for class III passengers still leave a great deal to be desired. I can only promise that a continuous drive will be kept up for improving them in every direction. There has been noticeable improvement in train punctuality as a result of a special drive that was initiated. The percentage of trains not losing time is roughly 60 per cent. and in a few cases as high as 83 per cent. These figures, however, are not a matter for complacent satisfaction but should and will be improved further. A number of steps have been taken to improve in several ways the conditions in which class III passengers travel. This question has been continuously under our consideration and I am glad to say that some important measures have been taken in this direction. Instructions have been issued to railways to provide electric fans in third-class waiting halls and covered platforms at important stations and to increase the seating accommodation provided therein. The ensuring of cleanliness of coaching stock and station premises has been specially stressed. Arrangements have been made for adequate supply of water and certain railways have introduced a scheme which provides for drinking water and watermen being carried in class III compartments on long-distance trains.

20. In the past more attention was paid to the class in which a passenger travelled than to distance. The more fundamental distinction is that between long distance and short distance passengers. It has, therefore, been decided to provide special compartments and reserve seats therein for long-distance passengers travelling for more than 300 miles. In the matter of service of meals and other attention, it has been enjoined that they should be treated like upper class passengers. In some principal stations a special booking office window for the issue of tickets to such passengers has been opened.

21. In the autumn session of 1947, a suggestion was made that social service workers should be employed to assist class III passengers at major stations. Most of the railways have given effect to this suggestion and social guides have been appointed in consultation with recognised social service institutions.

22. Ticketless travelling and the consequent overcrowding have been attacked with vigour during the year and Provincial Governments have whole heartedly co-operated with the Railways in this matter. In the United Provinces, where the evil had attained serious proportions, the work of 17 platoons of mobile police and 34 Special Magistrates has yielded very encouraging results. During the first nine months of working, some 2½ lakhs of cases were detected and Rs. 8½ lakhs recovered from the culprits. The drive naturally added also to the regular receipts at booking offices.

23. I would like to make a reference in passing to the new re-classification of accommodation in passenger trains, which took effect on the 1st of January last. The congestion which the old Inter class passenger was the victim of has been somewhat relieved under the new system consequent on the down-grading of a number of old second class compartments to this class. Arrangements have been made to reserve seats in new class II. It has not been possible to provide sleeping accommodation for class II passengers in all trains, but a beginning has been made and Railway Administrations have been instructed to investigate ways and means of extending this facility. The conversion of all the previously existing stock into stock of the new type requires a large-scale withdrawal of some of the old stock for necessary readjustments and would entail a considerable curtailment of the limited coaching accommodation now available on the line till they were returned from the workshops. To avoid this, some old second class compartments were downgraded to new class II, while others were upgraded to new class I. This naturally resulted in a difference in the standard of accommodation to which new class II passengers were entitled, but this particular complaint will only be temporary until conversons have been

taken up and completed to new standards. There can be no doubt that the reclassification has evoked a large volume of criticism. Class III passengers have had no benefit from it. Old first class passengers, who travel in new class I have definitely benefited. Old inter passengers who are able to obtain accommodation in old second class compartments, converted into new class II, get better amenities at practically old inter rates. The old second class passenger, if he has to be sure of the same comfort and sleeping accommodation as he was previously entitled to, must go in for a new Class I ticket, which means a 50 per cent. increase in his fare. If, however, he elects to travel in new class II, he has to be content with old inter discomfort without being sure of obtaining sleeping space in all cases. The Railway Administrations have been directed, however, to watch carefully the effects of the new classification and the reactions of the travelling public thereto. The first reports on this subject have been received from General Managers. The period they relate to was, however, too short to base any definite conclusions on. The views expressed are not uniform, though from the purely revenue point of view they do not appear to give much room for anxiety. The matter, however, requires further watching, but I trust that the additional facilities which have been ordered to be gradually provided for class II passengers will, when they are implemented, persuade them to settle down to the new system. It is premature, however, to pronounce a final verdict on the question whether the change that has been brought into effect in deference to the views expressed in this Assembly and in the Central Advisory Council, calls for any reconsideration.

24. Criticism has been loudest against railways in respect of goods services. There *are* bottlenecks in railway transport. But it is well to remember that there are bottlenecks also in other forms of transport and in industry and trade. I am free to confess that Indian railways in their present condition cannot carry concurrently all the traffic offering. But all essential traffic has, subject to exceptions, been moved in reasonable time having due regard to the conditions that prevail; while all other traffic has been obliged to wait until the needs of essential traffic have been satisfied or to be content with a scramble. The daily average coal loading from January to December 1948 was about 4 per cent. higher than that during 1947; in November 1948, it was higher than in any month since 1943. In the Iron and Steel industry, despite a decrease in production, despatches during January to December 1948 were higher than those during 1947. The bottleneck in this industry has, in the recent past, been its difficulty in facilitating the clearance of previously accumulated stocks and not the lifting of current production. But even these stocks are now being moved by planned train loads to the extent that the industry is able to load wagons. The movement of textiles

during the period between January and December 1948 was 18 per cent. higher than that during 1947. During the first eleven months of 1948, the movement of cement was 9 per cent. more than in the corresponding period of 1947. For the sugar industry, rail transport has been regularly programmed and the sugar factories, despite accumulation of stocks, have not been able to utilise all the transport facilities that were offered to them.

25. So long as rail transport resources fall substantially short of the demand, their rationing and control from the public point of view are inescapable. The Rail Priorities Organisation, with five Regional Controllers assisted by Local Regional Advisory Committees and supervised by a Chief Controller of Priorities at the Centre working in close association with the Railway Executive and the Central Board of Transport, has done and is doing good work. The weekly meetings of the Standing Committee of the Board are of the greatest value in this connection. They ensure co-ordination between the competing claims of different Ministries for transport. What is more, they serve to keep continuous watch on movements and to detect and to remove bottlenecks in rail transport wherever they occur. The most notable decision of the Board itself was the determination of national priorities. Food movements of course, come first and then industries. The Board decided that full transport facilities should be provided for steel, textiles and cement to start with. A programme for each quarter has to be framed in advance of it and the Standing Committee of the Board prepares movement programmes to implement such targets. The planning for these three industries for the first quarter of 1949 has already been completed and wagon quotas have been fixed so as to ensure that these industries work on the optimum planned level. A new scheme has also been introduced by which an efficient follow up machinery will ensure that every consignment covered by a priority order is assured of movement.

26. It is, I trust, appreciated all round that considerable improvement has been effected in recent months. This has been achieved by special measures such as careful programming of movements and a steady stepping up of operating efficiency from the low levels to which it had dropped. One of these important steps is the movement of traffic in full train loads. During the month of December 1948, for instance, as many as 329 B.G. specials were run on the different railways. The daily wagon loadings on the B.G. have improved from 9,800 in June 1948 to 11,267 in December. The turnround of wagons over the same period has shown an encouraging decline from 15.03 to 12.21 days. The average speed of goods trains, to refer to another aspect, has been registering an upward trend. These are reassuring features in recent railway working, though I concede

that a great deal more requires to be achieved before public satisfaction can be extorted. It is not enough in my judgment to meet industry's immediate needs. Industries must be given the confidence that additional calls on transport due to the stepping up of production in existing industries and to the establishment of new industries will be met if and when they come to be made. There is still a considerable gap between the actual demand for transport and the capacity of railways to meet it in full in proper time. The problem of bridging the gap is one of adequacy of power, rolling stock and line capacity.

27. Having regard to the difficult power position and the urgent need to strengthen it, the Chief Commissioner of Railways went to Europe and America during 1948 to seek manufacturing capacity for locomotives to be quickly built to India's specifications. As a result of his visit and on an examination of the quotations of prices and delivery dates, orders have been placed in the U.S.A., Canada, the U.K. and France for 390 locomotives, in addition to 473 previously ordered, making a total of 863 locomotives consisting of 640 B.G., 203 M.G. and 20 N.G. engines. 303 of the total number have been ordered in the U.S.A., 350 in Canada, 190 in the U.K. and 20 in France. 19 B.G. and 33 M.G. locomotives have been received in India by 15th January, 1949. By 31st March 1949, 120 more B.G. locomotives are expected to be received. The total receipts during the current year will thus amount to 139 B.G. and 33 M.G. locomotives. According to the scheduled delivery dates 202 B.G. and 22 M.G. locomotives are expected to be received in India before the end of September next; 90 B.G. and 91 M.G. locomotives by the end of December and 45 B.G. and 57 M.G. locomotives by March 1950. We hope, therefore, to receive a total of 337 B.G. and 170 M.G. locomotives during 1949-50. Of the balance, 164 B.G. and 16 N.G. locomotives are expected to be received in India during 1950-51 and the remaining 4 N.G. locomotives during 1951-52.

Questions have sometimes been asked as to why loco orders have not been placed in other countries in the world. In order to clarify the problem, it may be stated that three factors governed the placing of orders. Firstly, locos which we require must be built to our specifications. Designs suitable elsewhere do not conform to our standards, and interchangeability in stock is important. Secondly, the price quoted should be competitive, and lastly the delivery dates should be acceptable for our needs.

28. Our dependence primarily on the foreign manufacturer for our locomotives has thus been largely responsible for our present sorry plight in this connection. The Central Legislature has for years demanded the setting up in the country of a locomotive industry of our own. There had been regrettable procras

tination in this respect in the past, but I am glad to be able to say that we are making rapid progress in meeting this demand now. At Chittaranjan, 20 miles from Asansol, close to the coal and steel producing areas, work is proceeding in full swing on the erection of the Locomotive Building Workshops designed to manufacture 120 steam locomotives and 50 additional boilers per year. The smaller shops in this factory for the manufacture of components are expected to be ready early in 1950 and the main assembly shop for the production of complete locomotives by early 1951.

29. For the time being, however, we have to do the best with a shortage of power. Our overaged locomotives on 31st March 1949, B.G. and M.G., number 1,291 and it will be some time before they are all replaced. Quite apart from the fact that it is uneconomical to maintain obsolescent types, one has to reckon with engine failures which assumed serious proportions during certain months of 1948 and interfered with punctuality of operation. To add to our difficulties, the efficiency of the periodical overhaul of engines in workshops was impaired by lack of, or inadequate, stocking of spare parts. There had been protracted delays in the placing of orders for and in the receipt of spares both in India and from abroad, and these have had serious repercussions on the maintenance schedules of the workshops. The outturn in workshops of rolling stock has been adversely affected in consequence. Steps are being taken to minimise avoidable delays in finalising contracts and expediting delivery.

30. As regards wagons, our requirements per annum are of the order of 10,000 in terms of 4-wheelers. Up to 31st December 1948, 2,349 wagons of different types (in terms of 4-wheelers) have been put on the lines. By March 31, 1949, another 485 wagons would come into service. The orders placed in the year amount to 3,600 wagons. The numbers expected to be delivered during 1949-50 are 4,400 wagons. The shift in the traffic flow due to war-time changes in our industrial production and to Bombay having to take over the role of Karachi as the principal port for North India, have stressed the need for increase in line capacity. This matter has received attention. The Delhi-Mathura track is being partially doubled. An additional line between Budni and Barkhera on the Bhopal-Itarsi section of the G. I. P. Railway is being constructed. As the existing line in this length has steep gradients and requires the use of banking engines, the additional line is being constructed on a separate alignment with flatter grades. The existing line will be used for down traffic without banking engines and the new line will be used for up traffic, also without banking engines. On the B. B. & C. I. Railway, Anand Barejadi single track on the Baroda-Ahmedabad section will soon be doubled. The quadrupling of 52 miles of

track between Saktigarh and Sitarampur on the E. I. Railway has already been completed while the doubling between Ekdil and Kanpur is now in progress. Along with line capacity, we have to consider yard capacity as well. For speeding up of traffic, several large yards are being remodelled. The work on the New Delhi yard is nearing completion and that on the Delhi main yard will soon be taken in hand. On the O.T. Railway the remodelling of Gonda and Gorakhpur yards is likely to be completed in 1949-50. I will not weary the House with more details.

31. There is, however, one important point to which I should draw the attention of honourable members, namely, that progress in works of the kind referred to and in rehabilitation has been held up by shortage of supplies of steel to railways. The increased wear and tear and the deferred maintenance of locomotives and other rolling stock have accumulated large arrears of maintenance and repairs. The present supplies of steel to railways fall far short of the full tonnage required to maintain the repair schedules. The short allocation of steel has also placed limits on the actual orders for rolling stock with indigenous manufacturers. For instance, we desired to place orders for 5,080 wagons against annual normal requirements and for an additional 4,500 wagons to meet the industrial needs of the country. Owing, however, to the limited supplies of steel available, the orders had to be reduced to 3,500 B.G. wagons representing only about 40 per cent. of indigenous capacity. The shortage of steel has affected permanent way maintenance also. The need for the topmost priority being given to demands of steel from railways to meet their minimum requirements for essential maintenance and replacement hardly requires stressing.

32. I have already referred to the proposed Locomotive Building Workshops at Chittaranjan now under construction. Railways in this country have experience of work on repairs and maintenance of locomotives. They have little or no experience of the manufacture of locomotives on modern production lines. If, therefore, we are to avoid the very expensive method of learning by mistakes, we require to import specialised technical aid for a temporary period. The Railway Board has now under consideration the possibility of making arrangements with foreign manufacturers for obtaining such technical aid. The intention is to secure the loan of trained technicians for service at our workshops where they would be required to organise the production side as well as to train our men in the technique of production. It may be necessary to get the assistance of any firm with whom an arrangement of this kind is made for producing to a planned scheme such parts of locomotives as we may find it not possible to manufacture at our workshops or elsewhere in India until our own factory comes into full competitive production. It would

be necessary for such a firm also to undertake to train, where necessary, our technicians in their own workshops.

33. The Railway Board has, further, under examination at present the whole of the locomotive position on Indian railways. The normal life of a locomotive is 40 years. The average age of locomotives on the line should be half that figure, namely, 20. At present, the average age of our locomotives is very much higher than that, being about 28 years. This indicates that we have in use more older than younger locomotives on the line. With due regard to the expected delivery dates of locomotives on order and the number and types of locomotives which will become overage by then, it has been calculated that we shall require, without embarrassing our own production, both from our workshops as well as from Tatas, from 400 to 500 more locomotives to be imported. The details, however, have still to be worked out.

34. The House will remember the Silver Arrow model train which was exhibited round India in 1947. Many enquiries have since been received as to when stock of that kind could be seen on Indian railways. Progress has been made in manufacturing the all-metal light-weight type coach in India. The position at present is that we have prototypes under construction and these will have to be given the various buffing and other tests required before we go in for mass production. The Railway Board has been examining the possibility of establishing for Indian railways a Central Coach Manufacturing Workshops where such all metal light-weight coach construction could be done with a view to adding to indigenous capacity in this sphere. For this workshop also, as in the case of locomotives manufacture, the Railway Board is considering the question of obtaining technical aid from foreign manufacturers with years of experience of welded all-metal coach building.

35. When presenting the Railway Budgets in November 1947 and February 1948, Dr. Matthai referred to the demands of labour on railways, particularly in connection with the implementation of the recommendations of the Central Pay Commission. During the year, a Negotiating Committee consisting of representatives of the All-India Railwaymen's Federation and of the Railway Board discussed certain issues arising from the application of the Commission's recommendations. A variety of matters had to be covered during this discussion. Several of them were requests for modification even of the basic recommendations of the Central Pay Commission. At their Annual Convention at Calcutta, the Federation passed resolutions demanding that there should be no curtailment in grainshop concessions and drawing attention to certain outstanding points at issue in connection

with the Central Pay Commission scales of pay. In November, the General Council of the Federation met at Nagpur and decided on the taking of a strike ballot. Towards the end of December, the President of the Federation wrote to me drawing my attention to the clause in the Nagpur resolution expressing the preparedness of the Federation to come to an honourable settlement. In reply I suggested that he might come over and have a discussion with me. During the talks between us last month at Bombay and Delhi, there was a frank exchange of views and we arrived at certain understandings which, I have reason to believe, have cleared the air considerably. As a result, the Federation Executive has now a better appreciation of the policy of Government towards railway labour and its trade union organisations. The General Council of the Federation is timed to meet to-morrow. I trust that good sense will prevail and the decision will be against a railway strike.

36. It is necessary here to refer to railway grainshops. In pursuance of the undertaking given at the last Budget session, the Railway Grainshops Enquiry Committee with Shri Mohan Lal Saksena as Chairman and Shri K. Santhanam and Shri Khandubhai Desai as members was appointed to examine the structure of the grainshop organisation, the system of procurement, stocking and distribution and the admissibility of the grainshop concessions to the various categories of railway staff. The Committee was also asked to suggest modifications in the present system which, while retaining the essential benefits of the grainshop scheme, would keep the cost within the limits the Railways could afford. The Report of the Committee was submitted in June and its recommendations were accepted later by Government with only slight modifications. The result was that staff drawing above Rs. 250 were given the full cash dearness allowance payable to other Central Government employees, and an option was given to staff drawing upto Rs. 250 either to continue to enjoy grainshop concessions limited to five essential articles or to give up the concessions in favour of the full cash allowance. Government also offered lump sum payments to those drawing up to Rs. 50 who decided to opt out of the grainshop concessions before 1st January 1949 with a view to enabling them to make suitable adjustments in their domestic budgets. When subsequently Government decided to increase the rates of cash dearness allowance to all Central Government employees drawing upto Rs. 250 by Rs. 10 per mensem, they sanctioned in the case of railway workers the same allowance of Rs. 10 per mensem for staff drawing up to Rs. 250 with a proviso that in the case of such of the staff as elected to retain grainshop concessions on the restricted scale, the allowance would be only Rs. 5 per mensem. The period for electing to opt out of the grainshops was extended up to 31st March 1949, and, in the case of those who did so opt

out, lump sum payments on the same scale as for those who opted out before the 1st January 1949 were also promised. The new scheme has been brought into operation from the 1st January 1949.

37. Government have no desire other than to deal justly and even generously with labour. The Central Pay Commission scales of pay, the Rajadhyaksha Award, the new rates of pay and allowances to running staff, the increases in the dearness allowance which have taken effect from the beginning of this year, all these have added to the financial strain on the railways, and, therefore, on the community as a whole. It will not help the railwaymen to get their spending power increased when it is unaccompanied by increased production all round. In the circumstances in which we find ourselves placed to-day in the country, there is need for austerity and sacrifice on the part of every section of the community. The Government are committed to a long-term policy of raising the standard of life of every one in the country. But a higher standard of life is not a matter merely of higher wages. It is essentially one of higher productivity. The present situation thus offers a challenge to our capacity and sense of responsibility as well as to the objectives that we must place before ourselves. I have always felt that, in the long run, labour will rise to the height that it should in promoting the welfare of the country as a whole and in avoiding everything that is likely to conflict with peace and the attainment of that welfare by everybody. I have good reason to think that responsible leaders of railway labour, including those in the All-India Railwaymen's Federation, are fully alive to the disastrous consequences of taking a decision which will cause direct injury on a colossal scale to the national interest, and I do trust that they will not allow themselves to be misguided and overwhelmed into taking a wrong course by those who attempt to exploit them and their clientele not for legitimate trade union interests but for purposes of self-aggrandizement or of winning political party advantage.

38. The railways constitute the biggest nationalised industry in the country, and I am one of those who believe that the administration of this industry should be so ordered and developed as to give labour more and more the feeling that it is participating with the management in raising the public service which the industry renders to the community to the maximum, both in quantity and quality. I am keen, therefore, that the conditions of life of railway workers should improve with expedition and, in some respects, radically. The Railway Budget provides for many items of expenditure relating to labour welfare. In spite of the need for economy and the difficulty of obtaining materials at reasonable prices, the Railway Administrations are trying to put up as many houses as possible, especially for those belonging

to the lowest income groups amongst the workers. Railway hospitals and dispensaries provide for the railway workers greater facilities for medical relief than are available to the ordinary citizens of India. Other items of expenditure include maternity and child welfare, schools and institutes. It is proposed to review all these activities so that they may be fitted into an effective all-round programme of labour welfare. In order to enable Parliament as well as the railway workers to watch the progress of a scheme of this nature, the question will be examined whether all these items of expenditure cannot from the next year be brought under one demand head as in the case of passenger amenities.

39. The establishment of the most cordial of relations between railway managements and the railwaymen who work with them will be the supreme test of the efficiency of Railway Administrations. Past traditions and present conditions have combined to bring about an atmosphere of apparent conflict and hostility between them. The right of workers to combine for the protection of their interests is undoubted. But, on combining together, unions and federations of workers should realise that nothing could be to the real interest of the workers themselves unless it is in unison with the interest of the community as a whole. To exploit trade unions for political party ends merely is a crime, whoever may resort to it. I desire to appeal to all labour leaders, whatever school of politics they may belong to for other purposes, seriously to consider whether for subserving the real welfare of their primary clients, the general body of workers, they should not unite in a common organisation and confine its activities to the realisation of essentially trade union objectives.

40. An important piece of reform was completed during the year with the introduction of a new rating structure on the 1st October 1948. I would not weary the House by giving details of the new system that has been introduced. A new Railway Rates Tribunal will shortly commence to function under the legislation passed last year and will, I hope, be welcomed by the trading community. The need for a more satisfactory machinery to decide disputes in connection with rates than was provided by the Rates Advisory Committee had been pressed for long and the functioning of the Tribunal should go a long way towards satisfying the public that their complaints regarding the making or giving of undue preference in rates or charges or of refusal to quote a station-to-station rate will be looked into and decided finally by an impartial authority.

41. I would here make an appeal to our trading community for co-operation in the matter of the utilisation and release of wagons. In a number of cases, it has been found that indents placed for supply of wagons are cancelled or not fully availed of

when they have been complied with after a great deal of effort and programming of movements on the part of the railways. To avoid delays in the release of wagons at starting or destination stations, the Railway Board has recently had to reduce the free time allowed for the levy of demurrage from 9 to 6 hours. This has led to an improvement in wagon loading since last April by 2.71 per cent. on the broad gauge and 4.74 per cent. on the metre gauge as compared with the corresponding period of 1947. It is not a pleasure to be compelled to institute penal measures for what could readily be accomplished with the willing co-operation on the part of traders and business men. I wish our Chambers of Commerce and Trades Associations will build up a code of their own of healthy practices in this regard This is what has been done for many years in the U.K. and the U.S.A. The absence of responsible conduct of this nature has expressed itself in the enormous accumulation of uncleared consignments, as for instance, was the case in the New Delhi yard. If some business men do not clear wagons in time, they are actually depriving many others of the supply of wagons so essential to the functioning of our economy in a regime of shortages and priorities. I have no hesitation in assuring the commercial community that the Railways will do their utmost to serve their needs. I am sure they appreciate the radical measures adopted recently to clear the arrears of claims which had accumulated during the war and on account of the unsettled conditions of the last two years.

42. The Indian Railway Enquiry Committee concluded its labours during the year and submitted its report to Government early in November last. To my honourable friend Pandit Kunzru, who presided over the Committee, and to his colleagues, I wish to express the Government's obligations for the comprehensive survey of railway problems, the painstaking study of those problems and the recommendations thereon made in the Report. These recommendations are individually being processed by a high level Officer on Special Duty with a view to obtaining Government's orders thereon. I need hardly say that Government will give their very best consideration to the recommendations. The Report was sent to the press soon after its receipt, and printed copies of it will be made available to honourable members after they are received from the press.

43. I ought to refer to another topic to which reference has been made by the House in recent years, namely, the economic and statistical information relating to railways. The question has a public as well as a domestic importance to railways. Indian railways have for many years followed a policy that is perhaps unique. There is hardly an aspect of their working—financial, operational, and commercial—on which they do not collect, and cannot supply, full information. All this information is necessary for the purpose of managerial control, to maintain efficiency in

working, to keep down uneconomic expenditure and to improve financial results. I am assured that our record in these matters compares very favourably with that of other countries, including the U.K., the U.S.A. and Canada. The principal defect with us has been that we have not been making as good use of the information that is available as these other countries do. We are instituting measures to bring about a rapid improvement in the present set up, taking into consideration the valuable suggestions made by the Indian Railway Enquiry Committee.

44. What is badly required is the collection and collation in suitable forms of the information we have and its interpretation and correlation with the broad economic trends in the country. This is of vital importance to all those, such as the members of this House, who have to decide, or pronounce on, questions of policy and must have a correct appraisal of railway working from time to time. We are also strengthening our economic research side. The resources have to be harnessed to support and promote the economic welfare of the nation. As railways touch the life of the community more intimately than perhaps any other single economic agency, their managements should know as precisely as they can its changing needs, so that the service they render it is adjusted to what is desired. For this there should be a continuous study in relation to railway working of current trends in industry, agriculture and domestic and foreign trade. Such studies, so common in other countries, should prove to be of great value to our industrialists and business men. A beginning on this task will be made in the budget year.

45. The railways offer a wide field for scientific research. The Research Committees of the Indian Railway Conference Association and the Central Standards Office have a fairly good record to their credit in this respect, but it is recognised that there is need for a more comprehensive effort in this direction. The matter is under active consideration.

46. Hon'ble members are, I know, greatly interested in the problem of the re-grouping of railways in this country. Amongst the 9 units of Railway Administrations now in existence, the route mileage in charge of each varies from 1,231 miles on the Assam Railway to 4,457 miles on the E. I. Railway. Their operation ratios vary within fairly wide limits and some of them have been living on the others. Their present geographical distribution has grown haphazardly in some cases and are a product of the history of both State and Company effort in the past. Whether we should interfere with the present grouping at all and, if so, how best to group them with the assurance of giving satisfaction both territorially and functionally is a problem which bristles with difficulties. The Railway Board and I are studying this problem in all its various aspects. The dimensions of the problem

change daily. The political developments in Indian States and Unions of Indian States are at present a disturbing factor in the way of arriving at conclusions which can have any permanence. When, however, the political map of India gets finally settled—as there is every prospect of its doing in the very near future—we should be in a position to re-draw the railway map of India and cut it up into units of Railway Administration, which will ensure both regional and operational efficiency.

47. There is the other problem also of the reorganisation of the internal administrative set up in each unit of Railway Administration. This also is being studied very intensively, but, in a sense, it is linked with the problem of re-grouping. The matter is under active consideration, but, in view of obvious considerations, it seems to me that a hasty decision in respect of this matter should be avoided.

48. Proposals have been made from time to time by Committees and individuals, and quite recently by the Indian Railway Enquiry Committee, regarding the changes that are necessary in the central machinery for controlling this huge nationalised concern. I am giving this problem also my best attention and, while improvements for the purpose of achieving greater efficiency with the present Central set up are being and will be effected, the larger problem of the nature and functions of a Central Railway Executive and of its relations with the Minister and Parliament requires the most careful consideration and such legislation as may be required for altering the existing system might, perhaps, be more wisely introduced in Parliament after the new Constitution comes into force.

49. In a broadcast, which I made soon after I took over charge of Railways, I said—" On the railways, among the station, goods, train and such like staff, the demand and payment and the offer and acceptance of illegal gratification are almost a tradition, deep rooted and of many decades standing. A determined drive is now on to combat this evil with firmness." The House has always evinced the keenest interest in the putting down of this corruption. The arrangements that exist for achieving this result have been under my continuous consideration and recently I approved of a scheme evolved by the Railway Board under my instructions and after consulting both the Head of the Special Police Establishment and General Managers of Railways. The objective of the scheme is to co-ordinate the activities of the Special Police Establishment and Railway Administrations and to tighten up the executive machinery, both Police and Railways, dealing with the detection and investigation of cases. The main points of the scheme are :—

Firstly, organisations to suit local conditions for the prevention, detection and departmental investigation of corruption on each railway ;

Secondly, merely departmental or procedural irregularities resulting in preferential treatment to traders, travellers, contractors or firms should be ordinarily enquired into and disposed of by the Railway Administration concerned. If, however, there is reason to think that receipt of some monetary or other consideration can be established against the railway staff concerned with these irregularities, the cases should be handed over to the Special Police Establishment without delay ; and

Thirdly, in dealing with cases of corruption departmentally all non-railway authorities and organisations, however influential they may be commercially or politically, should be entirely excluded.

The House will be interested to know that the number of cases investigated by the Special Police Establishment up to the end of September 1948 was 786, of whch 385 cases were sent up for trial to Courts or Tribunals. 273 persons were convicted and 179 acquitted. 155 cases were referred back to the Railway Administration for departmental action. The number of Railway gazetted officers implicated was 35. The anti-corruption drive will be continued with the maximum of vigour, and I am glad to be able to tell the House that the officers in key posts on the railways are quite alive to this and have given evidence of keenness for putting it down.

Since the printing of the speech the details of cases investigated by the Special Police Establishment to the end of December 1948 have been received. Of the total number of 837 investigated, 389 were sent up for trial to Courts or Tribunals. 282 persons were convicted and 188 acquitted. 163 cases were referred back to the Railway Administrations for departmental action. The number of railway gazetted officers implicated was 40.

50. Before I close, I should like to pay a tribute of appreciation to the Chief Commissioner of Railways and his colleagues on the Railway Board, to the officers and staff serving under it, to the Heads of the nine Railway Administrations and the officers and staff serving under them and particularly to the large body numbering over 8 lakhs of railwaymen for the hard work they have been and are doing as well as for the service they have been rendering to the public under conditions of a certain amount of disorganisation and confusion, for which they certainly could not be saddled with responsibility. The House will, no doubt, agree with me in paying this tribute. To honourable members who have served on the Railway Standing Finance Committee and on the Central Advisory Council for Railways, I wish to express my gratitude and that of the Railway Board for the helpful criticism and the willing assistance we have throughout received from them.

51. And that brings me to the end of my story this afternoon.

RESERVE BANK OF INDIA

An Account pursuant to the Reserve Bank of India Act 1934 *for the week ended 24th December* 1948

ISSUE DEPARTMENT

LIABILITIES.	Rs.	Rs.	ASSETS.	Rs.	Rs.
Notes held in the Banking Department	14,73,45,000		A. Gold Coin and Bullion—		
Notes in Circulation ..	1,183,96,65,000		(*a*) Held in India ..	41,35,46,000	
			(*b*) Held outside India—		
			Sterling Securities ..	768,85,70,000	
			Total of A		810,21,16,000
Total Notes issued ..		1,198,70,10,000	B. Rupee Coin		45,23,90,000
			Government of India Rupee Securities ..		343,25,04,000
			Internal Bills of Exchange and other Commercial Paper		....
Total Liabilities ..		1,198,70,10,000	Total Assets ..		1,198,70,10,000

Ratio of Total of A to Liabilities: 67.591 Per cent.

Statement of Affairs of the Reserve Bank of India, Banking Department, as on 24th December 1948.

LIABILITIES.	Rs.
Capital Paid-up	5,00,00,000
Reserve Fund	5,00,00,000
Deposits :—	
(a) Government	
(1) Central Government	213,66,62,000
(2) Other Governments	16,57,95,000
(b) Banks	66,04,72,000
(c) Others	57,68,49,000
Bills Payable	4,85,84,000
Other Liabilities	9,92,01,000
Total Rs.	378,75,63,000

ASSETS.	Rs.
Notes	14,73,45,000
Rupee Coin	12,59,000
Subsidiary Coin	1,66,000
Bills Purchased and Discounted :—	
(a) Internal	53,83,000
(b) External	....
(c) Government Treasury Bills	159,53,000
Balances held abroad*	255,71,53,000
Loans and Advances to Governments	2,07,00,000
Other Loans and Advances	10,01,94,000
Investments	90,75,20,000
Other Assets	3,18,90,000
Total Rs.	378,75,63,000

* Includes cash and short-term securities.

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ROYAL ASIATIC SOCIETY OF THE BOMBAY BRANCH

COMPARATIVE BANKING STATISTICS

(In crores of rupees.)

	1st Sept. 1939 (Pre-war)	31st Dec. 1948	A year ago.
Reserve Bank			
ISSUE DEPARTMENT—			
Notes in Circulation	172.44	1,188.19	1,238.79
Notes held in Banking Department ..	35.05	10.54	35.56
Sterling Securities	39.50	768.85	1,135.32
Rupee Securities	37.39	343.25	57.84
BANKING DEPARTMENT—			
Deposits of—			
Government of India	14.89	214.49	337.08
Other Governments	..	15.56	(5.29)
Balances held Abroad	10.08	256.38	375.22
Scheduled Banks			
Demand Liabilities	134.37	666.24 (29.05)	657.16
Time Liabilities	102.34	296.91 (.22)	317.33
Balances with Reserve Bank	25.28	67.28	87.80
Excess over Statutory Limits	16.52	28.04	48.61
Advances	101.52	422.71	399.41
Bills	3.57	19.37	18.39
Cash	6.71	40.04	38.17
Imperial Bank			
Deposits	87.76	273.00	275.04
Investments	51.99	161.25	161.98
Advances	30.37	91.73	88.41
Cash	14.69	43.13	40.83

Borrowings from banks are shown in brackets.

Total Imports of Treasure on Private Account from Foreign Countries and Indian Ports into Bombay by Sea and Air from 1st April 1948 to 31st March 1949.

From	Gold.			Silver.			
	Bullion.	Coin.		Bullion.	Coin.		
		Sovereigns and Half Sovereigns.	Other Coin.		Dollars.	Govt. of India Rupees.	Other Coin.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
United Kingdom	44,467	—	—	1,16,551	—	—	—
Continent of Europe ..	83,70,255	—	—	50,458	—	—	—
America	41,74,887	—	12,95,659	—	—	—	—
Egypt	26,39,903	—	—	—	—	—	—
Aden	11,525	—	—	—	—	—	12,710
Other Foreign Countries ..	4,11,461	—	10,87,634	21,15,794	—	—	10,20,121
Indian Ports	—	—	—	21,34,961	—	—	—
Total ..	1,56,52,498	—	23,83,293	44,17,764	—	—	10,32,831

Total Exports of Treasure on Private Account to Foreign Countries and Indian Ports from Bombay by Sea and Air from 1st April 1948 to 31st March 1949.

To	Gold.			Silver.			
	Bullion.	Coin.		Bullion.	Coin.		
		Sovereigns and Half Sovereigns.	Other Coin.		Dollars.	Govt. of India Rupees.	Other Coin.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
United Kingdom	1,27,204	—	—	—	—	—	—
America	—	—	472	—	—	—	—
Total ..	1,27,204	—	472	—	—	—	—

IMPORT AND EXPORT TRADE OF BRITISH INDIA.

STATEMENT showing the Annual Value of the Import and Export Trade of British India and the Total Miles of Railway open.

Year ending 31st March.	Total Miles of Railway open.	Imports.			Exports.		
		Merchandise.	Treasure.	Total Merchandise and Treasure.	Merchandise.	Treasure.	Total Merchandise and Treasure.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1878	8,217	41,46,41,851	17,35,54,596	58,81,96,447	65,22,23,282	2,21,09,956	67,43,33,238
1879	8,494	37,30,09,835	7,05,67,486	44,35,77,321	60,93,68,769	3,98,22,283	64,91,91,052
1880	9,162	41,17,25,671	11,65,48,948	52,82,74,619	67,21,07,406	2,03,51,479	69,24,58,885
1881	9,890	53,08,68,074	8,99,72,139	62,08,40,213	74,54,09,072	1,44,04,408	75,98,13,480
1882	10,149	49,11,28,724	11,32,27,804	60,43,56,528	81,96,64,102	1,09,97,468	83,06,61,576
1883	10,458	52,09,86,720	13,45,33,642	65,55,20,362	83,48,49,372	1,04,18,488	84,52,67,860
1884	11,631	55,29,89,907	12,87,79,633	68,17,69,540	88,07,64,315	1,00,84,937	89,08,49,252
1885	12,283	55,70,16,804	13,88,81,918	69,58,98,722	83,17,01,507	1,96,89,796	85,13,91,302
1886	12,892	55,65,19,552	15,46,70,808	71,11,90,360	83,86,11,093	1,10,82,310	84,96,94,603
1887	14,103	61,81,19,608	11,04,83,224	72,86,02,832	88,48,10,354	1,72,04,261	90,20,14,615
1888	14,576	65,00,45,881	13,81,25,456	78,81,71,337	90,54,36,458	1,60,46,242	92,14,82,700
1889	15,887	69,43,77,531	13,84,49,249	83,28,26,780	97,06,02,386	1,78,43,819	98,84,46,205
1890	16,401	69,19,93,762	17,45,45,037	86,65,38,799	1,03,44,87,052	1,90,63,218	1,05,35,50,270
1891	17,308	71,97,57,754	21,93,44,876	93,91,02,630	1,00,21,50,575	2,12,31,785	1,02,33,82,360
1892	17,815	69,42,75,659	14,72,26,621	84,15,02,280	1,08,17,79,873	3,28,66,858	1,11,46,46,731
1893	18,504	66,27,86,222	17,00,98,101	83,28,84,323	1,06,57,46,715	6,95,89,237	1,13,53,35,952
1894	18,900	77,02,60,944	18,46,12,564	95,48,73,508	1,06,51,48,540	4,10,01,921	1,10,61,50,461
1895	19,547	73,51,65,042	9,58,12,084	83,09,77,126	1,08,92,91,101	8,22,60,717	1,17,15,51,818
1896	20,254	72,93,61,344	13,36,79,854	86,30,41,198	1,14,34,59,341	4,25,98,105	1,18,60,57,446
1897	21,115	76,21,58,352	13,08,45,635	89,30,03,987	1,03,98,36,184	4,93,74,955	1,08,92,11,139
1898	22,040	73,63,43,159	20,53,06,170	94,16,49,329	97,63,51,802	7,14,86,470	1,04,78,38,272
1899	23,523	72,11,07,161	17,89,50,127	90,00,63,238	1,12,80,11,811	7,41,14,207	1,20,21,26,018
1900	24,752	75,30,44,785	20,97,36,851	96,27,81,636	1,09,11,36,448	7,95,33,876	1,17,07,00,324
1901	25,363	80,89,40,873	24,57,61,818	1,05,47,02,691	1,07,76,44,143	14,22,73,646	1,21,99,17,789
1902	25,931	88,74,24,199	20,87,13,352	1,09,61,37,551	1,24,52,48,571	11,47,08,603	1,35,99,57,174
1903	26,956	85,86,60,829	25,31,83,178	1,11,18,44,007	1,29,40,79,337	9,65,76,370	1,39,06,55,707
1904	27,565	92,59,22,723	38,52,61,072	1,31,11,83,795	1,53,51,71,599	15,04,38,811	1,68,56,10,410
1905	28,295	1,04,41,27,454	39,50,81,750	1,43,92,09,204	1,57,70,83,029	16,42,88,167	1,74,13,71,196
1906	29,097	1,12,07,09,822	31,65,14,438	1,43,72,24,260	1,61,85,53,960	15,47,00,054	1,77,32,54,014

1907	30,010	1,17,24,15,294	44,57,98,114	1,61,82,13,408	1,76,66,94,270	5,71,82,526	1,82,38,76,796
1908	30,576	1,36,53,80,454	42,28,44,977	1,78,82,25,441	1,77,37,29,392	5,44,85,001	1,82,82,14,393
1909	31,490	1,28,77,81,788	22,74,41,677	1,51,52,23,465	1,53,14,31,953	6,32,02,465	1,59,46,34,418
1910	32,099	1,22,64,97,224	37,52,34,734	1,60,17,31,958	1,87,83,04,410	6,39,90,403	1,94,22,94,813
1911	32,839	1,33,70,57,458	39,77,35,730	1,73,47,93,188	2,10,15,16,030	7,12,69,254	2,17,27,85,284
1912	33,484	1,44,05,54,383	53,47,08,480	1,97,52,62,863	2,27,98,82,325	10,37,39,063	2,38,36,21,388
1913	34,656	1,66,62,96,807	61,83,17,536	2,28,46,14,343	2,46,21,83,342	10,63,17,656	2,56,85,00,998
1914	34,656	1,91,30,79,586	43,43,96,503	2,34,74,76,089	2,49,00,74,896	7,08,28,850	2,56,09,03,746
1915	35,285	1,44,93,07,207	21,80,83,236	1,66,73,90,443	1,82,17,60,256	5,28,94,370	1,87,46,54,626
1916	35,833	1,38,16,93,032	11,94,62,390	1,50,11,55,422	1,99,48,03,975	8,22,57,819	2,07,70,61,794
1917	36,286	1,60,24,89,599	38,45,26,695	1,98,70,16,294	2,47,37,74,815	6,41,72,070	2,53,79,46,885
1918	36,333	1,64,35,48,949	51,76,43,160	2,16,11,92,109	2,44,90,40,505	7,54,39,185	2,52,44,79,690
1919	36,616	1,88,56,24,317	71,36,55,075	2,59,92,79,392	2,55,32,02,610	9,01,03,571	2,64,33,06,181
1920	36,735	2,21,70,24,425	78,23,88,554	2,99,94,12,979	3,32,75,78,755	13,67,97,719	3,46,43,76,474
1921	37,029	3,47,13,52,122	34,76,34,962	3,81,89,87,084	2,67,64,36,175	26,17,12,640	2,93,81,48,815
1922	37,266	2,82,59,75,453	31,29,90,526	3,13,89,65,979	2,48,65,76,106	19,06,73,144	2,67,72,49,250
1923	37,618	2,46,19,24,109	63,57,96,096	3,09,77,20,205	3,16,07,16,915	3,01,71,845	3,19,08,88,760
1924	38,039	2,37,18,32,279	53,20,40,566	2,90,38,72,845	3,63,37,63,664	3,67,32,510	3,67,04,96,174
1925	38,270	2,53,36,36,608	99,19,84,987	3,52,56,21,595	4,00,24,27,531	5,16,81,392	4,05,41,08,923
1926	38,580	2,36,00,12,595	55,48,77,580	2,91,48,90,175	3,86,81,21,842	3,83,91,668	3,90,65,13,510
1927	39,048	2,40,81,84,303	41,53,20,573	2,82,35,04,876	3,11,05,04,300	2,21,13,404	3,13,26,17,704
1928	39,712	2,61,52,38,665	34,89,53,529	2,96,41,92,194	3,30,26,37,283	3,13,60,896	3,33,39,98,179
1929	40,950	2,68,39,79,360	37,29,42,646	3,00,69,22,006	3,39,15,06,656	6,35,31,454	3,45,50,38,110
1930	41,723	2,49,70,74,490	27,83,19,584	2,77,53,94,074	3,18,98,97,089	5,14,33,004	3,24,13,30,093
1931	42,281	1,73,09,08,307	26,86,34,373	1,99,95,42,680	2,26,51,21,864	4,00,08,598	2,30,51,30,462
1932	42,813	1,30,64,28,506	7,26,80,825	1,37,91,09,331	1,61,20,22,325	65,92,85,265	2,27,13,07,590
1933	42,961	1,35,01,76,054	2,99,13,188	1,38,00,89,242	1,35,93,34,109	70,66,15,528	2,06,59,49,637
1934	42,953	1,17,30,45,422	1,96,15,215	1,19,26,60,637	1,51,17,15,209	65,56,63,908	2,16,73,79,117
1935	43,021	1,34,58,25,058	5,19,17,165	1,39,77,42,223	1,55,49,71,644	63,50,46,139	2,19,00,17,783
1936	43,118	1,36,76,36,945	7,44,88,569	1,44,21,25,514	1,64,59,67,984	45,66,88,147	2,10,26,56,131
1937	43,128	1,27,72,13,251	15,50,89,994	1,43,23,03,245	2,02,48,94,884	30,20,40,314	2,32,69,35,198
1938*	41,076	1,77,22,08,967	4,71,24,768	1,81,93,33,735	1,89,76,39,162	19,76,70,257	2,09,53,09,419
1939*	41,134	1,55,55,32,005	3,24,36,026	1,58,79,68,031	1,69,83,11,805	15,19,54,275	1,85,02,66,080
1940*	41,156	1,68,97,13,973	6,64,41,915	1,75,61,55,888	2,15,95,10,828	40,79,57,074	2,56,74,67,902
1941*	41,052	1,61,29,41,674	3,24,54,664	1,64,53,96,338	2,00,43,22,816	18,55,37,247	2,18,98,60,063
1942*	40,477	1,74,74,97,534	4,33,62,079	1,79,08,59,613	2,54,44,37,946	12,20,59,391	2,66,64,97,337
1943*	40,525	1,14,95,50,359	62,78,045	1,15,58,28,404	1,94,90,55,135	10,79,65,970	2,05,70,21,105
1944*	40,512	1,32,82,16,748	3,66,92,757	1,36,49,09,505	2,10,50,75,295	5,71,93,556	2,16,22,68,851
1945*	40,509	2,31,74,92,328	24,46,42,070	2,56,21,34,398	2,28,98,73,929	5,18,55,199	2,34,17,29,128
1946*	40,518	2,92,14,84,489	8,40,78,516	3,00,55,63,005	2,66,38,19,962	7,41,70,825	2,73,79,90,787
1947*	40,524	3,33,81,50,205	34,63,64,678	3,68,45,14,883	3,18,88,18,712	3,09,80,756	3,21,97,99,468
1948*	†	4,45,26,40,490	37,08,35,418	4,82,34,75,908	4,18,82,49,139	4,40,21,665	4,23,22,70,804

* Exclusive of Burma due to separation. † Not available.

Summary of the Foreign Trade of Bombay for the Year ended 31st March 1949.

(In lakhs of rupees.)

	Imports.	Re-exports.	Net Imports.	Exports.
April 1948	17,81	1,09	16,72	7,02
May „	21,74	46	21,28	7,13
June „	20,46	41	20,05	6,93
July „	23,50	20	23,30	6,74
August „	26,71	30	26,41	8,50
September „	24,21	18	24,03	4,12
October „	21,64	19	21,45	3,78
November „	24,10	49	23,61	6,72
December „	26,45	32	26,13	4,85
January 1949	35,22	32	34,90	5,63
February „	31,61	30	31,31	6,49
March „	28,37	22	28,15	4,54
Total	3,01,82	4,48	2,97,34	72,45

Comparative Figures for the Past Three Years.

(In lakhs of rupees).

Imports.	Year ended 31-3-1947	Year ended 31-3-1948	Year ended 31-3-1949
Merchandise (Private)	1,42,73	2,05,39	3,01,82
Less—Re-exports	1,97	1,72	4,48
	1,40,76	2,03,67	2,97,34
Treasure (Private)	28,81	17,24	2,14
Net Imports ..	1,69,57	2,20,91	2,99,48
Exports	56,16	80,14	72,46

Exports of Cotton, Wool, Linseed, Rape Seed, Gingelly Seed, Wheat and Myrabollams from Bombay by Sea to Europe (including Port Said for orders) during the Calendar Years 1892 *to* 1923.

Years.	Cotton.	Wool and Goat Hair.	Linseed.	Rape Seed.	Gingelly Seed.	Wheat.	Myrabollams.
	Bales.	Bales.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.
1892	954,243	53,275	3,805,823	1,758,459	1,227,560	9,374,762	620,133
1893	857,771	49,538	4,319,264	4,275,862	1,510,317	5,043,690	563,053
1894	797,070	54,678	5,389,941	3,306,108	1,126,418	1,561,048	1,076,482
1895	624,465	61,586	2,639,749	1,829,827	1,379,335	2,522,933	775,582
1896	772,258	58,520	3,214,613	1,495,463	1,186,842	1,429,572	839,314
1897	511,899	51,710	775,338	1,874,663	831,398	5,343	555,081
1898	490,544	51,653	2,729,122	2,287,393	1,847,419	5,781,881	635,732
1899	500,232	53,272	2,136,142	1,967,680	1,613,679	2,852,863	752,343
1900	232,425	40,611	811,128	1,050,052	1,613,135	608	878,740
1901	560,434	33,091	1,754,701	2,586,544	1,704,817	38,619	728,055
1902	577,929	39,793	2,017,704	2,742,283	1,881,426	211,397	1,079,241
1903	958,199	49,332	2,957,635	2,614,181	3,063,821	2,783,625	748,137
1904	926,295	58,319	3,808,789	2,182,881	2,266,118	5,302,304	958,886
1905	667,323	63,666	3,485,956	728,041	1,420,503	4,205,315	621,298
1906	989,693	59,101	1,889,089	829,438	1,578,931	485,747	779,584
1907	1,126,376	54,390	2,333,472	2,020,544	2,235,206	552,660	848,293
1908	659,822	47,344	1,046,806	802,923	1,018,619	12,740	1,304,388
1909	672,247	69,121	1,843,403	1,273,005	1,620,631	2,177,644	76,757
1910	1,153,233	68,059	2,546,238	2,137,828	2,864,185	1,673,016	917,208
1911	776,417	62,721	4,905,089	1,388,053	2,016,231	3,326,327	662,892
1912	436,208	64,072	3,579,356	1,060,916	1,012,554	8,805,556	652,080
1913	736,262	63,244	3,713,812	1,042,510	1,695,000	4,997,989	549,483
1914	1,113,016	54,555	2,622,097	678,060	1,280,036	109,323	755,687
1915	403,322	82,456	1,603,837	543,494	150,068	1,593,092	601,144
1916	293,876	77,109	5,410,560	451,732	1,130,405	545,656	422,965
1917	358,378	84,151	2,630,619	321,811	639,091	4,636,634	408,692
1918	190,529	109,850	2,474,109	73,181	3,552	1,487,714	300,061
1919	337,043	63,938	2,689,540	396,514	331,022	126,416	538,022
1920	649,736	42,920	1,511,233	729,716	678,059	....	346,812
1921	503,215	36,931	524,442	165,908	264,842	....	419,329
1922	628,674	75,326	2,307,369	464,045	610,412	1,000	525,031
1923	980,710	51,734	3,043,144	786,356	156,675	419,046	389,198

Exports of Cotton, Wool, Linseed, Rape Seed, Gingelly Seed, Wheat and Myrabollams from Bombay by Sea to all Foreign Countries during the Calendar Years 1924 to 1948.

Years.	Cotton.	Wool and Goat Hair.	Linseed.	Rape Seed.	Gingelly Seed.	Wheat.	Myrabollams.
	Bales.	Bales.	Cwts.	Cwts.	Cwts.	Cwts.	Cwts.
1924	2,520,053	75,992	2,990,141	881,200	468,157	547,085	888,994
1925	2,820,629	66,329	3,524,849	531,136	812,900	1,187,532	605,257
1926	2,257,802	46,347	1,585,096	77,894	72,752	138,592	719,078
1927	2,052,225	57,996	1,641,559	52,861	80,010	32,880	883,259
1928	2,563,221	71,769	1,828,077	189,435	471,740	68,162	641,162
1929	2,678,328	83,264	1,576,531	39,838	415,725	47,553	729,169
1930	2,755,604	41,532	2,110,422	13,354	19,708	32,857	732,974
1931	2,194,682	49,201	926,552	18,155	83,802	71,035	644,706
1932	924,302	33,474	491,481	39,023	248,126	26,236	592,374
1933	1,545,511	57,388	3,298,611	49,677	305,965	25,937	709,041
1934	1,713,319	41,329	3,229,879	69,178*	143,941	24,865	617,732
1935	1,633,888	48,036	1,222,517	43,854*	11,230	30,088	702,840
1936 .. .. †	2,153,096	34,789	3,329,916	52,145*	85,023	46,884	655,634
1937	1,779,985	38,033	2,086,453	53,742*	250,228	50,131	623,774
1938	1,535,838	33,350	3,334,933	46,674*	83,175	40,738	549,023
1939	1,619,859	51,477	2,593,561	42,988*	45,114	45,962	770,253
1940	1,368,584	17,626	2,063,025	96,737*	31,389	44,005	553,826
1941	704,383	32,253	2,291,457	34,227*	45,067	83,287	263,262
1942	280,316	16,711	2,619,082	16,731*	161,737	2,537	254,308
1943	205,336	9,519	494,101	13,295*	13,013	211	101,126
1944	192,876	21,388	1,073,870	3,249*	17,504	..	89,456
1945	217,646	15,931	2,199,316	6,771*	51,073	..	307,178
1946	536,719	19,169	1,015,356	629*	45,644	..	328,948
1947	890,176	29,223	724,990	..	27,031	..	175,556
1948	769,337	38,137	528,528	2,205*	..	..	228,054

* Inclusive of Mustard Seed. † Includes Cotton exported to Calcutta and Coast Ports.

STATEMENT showing the Exports from Bombay by Sea of Indian Manufactured Cotton Piecegoods and Yarns since 1908.

Year ending 31st December	Grey and White Piecegoods.			Coloured Piecegoods.		Total Piecegoods.			Yarns.	
	Packages.	Yards.	Lbs.	Packages.	Yards.	Packages.	Yards	Lbs.	Bales.	Lbs.
1908	120,300	215,698,687	60,862,008	30,997	50,792,342	151,297	266,491,029	66,622,757	598,621	234,484,640
1909	141,920	252,992,500	70,093,139	39,326	66,751,717	181,246	319,744,217	79,936,054	636,329	252,460,745
1910	136,972	250,489,940	68,312,314	45,333	75,673,845	182,305	326,163,785	81,540,946	565,999	223,758,970
1911	122,601	224,438,698	63,524,949	54,000	89,411,376	176,601	313,850,074	78,462,518	403,214	158,582,640
1912	126,681	231,976,527	66,009,051	64,169	107,289,928	190,850	339,266,455	84,816,614	579,281	228,759,617
1913	97,005	177,239,570	50,527,978	55,071	92,467,657	152,076	269,707,227	67,426,807	518,230	205,207,962
1914	91,837	169,515,937	49,361,518	42,084	72,602,270	133,921	242,118,207	60,529,552	437,159	173,172,953
1915	108,956	199,068,079	58,350,926	61,045	103,038,333	170,001	303,006,412	75,751,603	471,395	186,585,698
1916	175,923	248,326,445	70,956,464	82,818	139,616,532	258,741	387,942,977	96,985,744	410,972	162,627,300
1917	111,845	176,934,869	46,119,953	86,909	148,290,803	198,754	325,225,672	81,306,418	373,187	147,167,250
1918	94,071	153,463,774	40,025,958	71,424	126,063,308	165,495	279,527,082	69,831,770	193,275	75,599,059
1919	132,112	219,343,388	56,536,165	116,313	202,286,577	248,425	421,629,965	105,407,491	372,212	146,832,081
1920	149,552	241,230,910	61,482,863	157,042	120,332,112	306,594	361,563,022	90,390,755	288,778	113,351,902
1921	120,739	212,563,435	53,577,720	99,518	159,572,347	220,257	372,135,782	93,033,945	314,330	124,310,163
1922	138,769	254,292,354	65,928,239	100,581	176,411,422	239,350	430,703,776	107,675,944	267,711	105,122,885
1923	173,381	304,497,408	69,452,982	110,243	180,990,710	283,624	485,488,118	121,372,029	215,036	83,657,151
1924	177,950	320,087,971	75,657,413	103,999	169,055,231	281,949	489,143,202	122,285,800	175,175	67,861,329
1925	133,458	233,217,232	55,688,235	96,447	158,069,128	229,905	391,286,360	97,821,590	176,210	67,892,155
1926	119,331	210,752,239	50,243,116	112,795	180,075,412	232,126	390,827,651	97,706,912	175,869	67,786,883
1927	130,963	229,773,883	55,215,566	118,474	196,438,974	249,437	426,212,857	106,553,214	156,999	60,555,498
1928	100,699	177,282,508	34,777,044	97,936	157,677,505	198,635	334,960,013	83,740,003	102,954	40,816,700
1929	106,748	193,179,168	38,635,833	82,351	147,586,666	189,099	340,765,834	85,191,458	125,577	54,361,428
1930	136,281	241,220,836	48,964,399	75,555	122,465,715	211,836	363,686,551	90,921,637	126,006	50,490,540
1931	192,578	342,654,885	68,686,328	80,346	127,129,785	272,924	469,784,670	117,446,167	142,236	65,666,253
1932	294,483	794,303,908	106,795,020	72,177	108,236,606	366,660	902,540,514	225,635,128	122,156	46,294,310
1933	209,259	390,535,659	78,065,873	58,052	87,890,698	267,311	478,435,357	119,608,839	112,059	43,557,629
1934	229,024	414,324,303	86,762,142	65,728	94,046,841	294,752	508,371,144	127,092,786	94,853	37,126,195
1935	216,300	383,877,416	76,775,483	55,416	81,771,947	271,716	465,649,363	116,412,340	88,088	34,626,637
1936	243,834	442,916,172	88,583,234	58,167	84,883,124	302,001	527,799,296	131,949,824	80,995	31,337,340
1937	263,665	406,706,851	81,341,332	98,229	105,542,821	361,894	512,249,672	128,062,418	99,726	33,158,260
1938	222,819	497,943,219	99,588,644	68,733	90,598,779	291,552	588,541,998	147,135,499	133,719	53,845,533
1939	214,894	402,959,694	80,591,939	74,921	89,945,061	289,815	492,904,755	123,226,189	101,524	39,757,666
1940	201,513	802,405,778	60,481,156	115,362	160,859,627	316,875	463,265,405	115,816,351	94,721	35,675,019
1941	296,697	419,784,283	83,956,857	226,989	324,513,230	523,686	744,297,513	186,074,378	158,184	61,449,881
1942	390,241	552,134,680	110,426,936	290,590	417,484,050	680,831	969,618,730	242,404,682	150,350	55,111,582
1943	304,381	431,793,523	86,358,704	139,402	191,003,543	443,783	622,797,066	155,699,266	50,543	18,203,572
1944	330,102	482,532,063	96,506,413	140,275	195,084,649	470,377	677,616,712	169,404,178	68,171	23,532,517
1945	283,749	380,325,802	76,065,160	148,690	193,149,075	432,439	573,474,877	143,368,719	42,982	17,393,136
1946	212,036	273,513,238	54,702,647	121,971	147,803,721	334,007	421,316,959	105,329,239	21,740	8,561,509
1947	128,642	158,699,292	31,739,858	90,565	107,142,182	219,207	265,841,474	66,460,368	4,382	1,860,457
1948	155,720	215,609,160	43,121,832	105,993	134,083,295	261,713	349,692,455	87,423,114	35,331	13,459,610

Foreign Countries to which Cotton Grey and White Piecegoods of Indian manufacture have been exported from Bombay by Sea since 1942. (*Year ending* 31*st December*.)

In lakhs of yards (000's omitted.)

To	1942	1943	1944	1945	1946	1947	1948
Pakistan	..	..	..	..	..	..	857.14
Turkey in Europe	16.54	124.76	189.36	77.75	12.16	9.99	2.62
Other European Countries	58.37	..	..	0.03	0.60	1.50	0.02
America	15.56	..	..	..	..	..	..
Burma	2.60	..	..	..	64.58	44.86	58.26
Ceylon	31.23	46.47	74.32	58.14	27.90	32.13	11.19
China (including Hongkong)	..	..	..	..	25.81	17.09	0.01
Straits Settlements	..	..	..	..	34.72	38.31	21.90
Iran	222.58	30.15	46.37	18.55	75.46	28.71	8.22
Iraq	353.00	111.93	138.72	165.49	88.68	70.44	4.71
Arabia	197.56	91.09	110.16	122.02	89.14	61.63	22.52
Turkey (Asiatic)	141.97	112.95	..	..	..	1.09	..
Palestine	273.86	18.98	65.81	25.46	24.36	2.39	0.10
Syria	141.06	8.09	0.07	23.22	30.91	3.70	0.35
Cyprus	4.85	11.68	10.76	11.21	10.01	2.79	0.41
Aden	366.51	339.26	375.23	404.52	144.04	95.50	32.98
Madagascar	..	59.73	78.53	71.91	13.15	..	..
Mauritius, Seychelles and Reunion	16.85	58.19	22.55	15.11	36.40	20.95	7.54
British East Africa	333.46	339.31	333.72	382.02	237.95	141.82	112.87
Portuguese East Africa	56.76	18.92	9.23	5.77	6.46	1.54	1.25
African Red Sea Ports	571.80	590.69	608.54	733.58	502.05	60.23	94.20
South Africa	260.17	244.58	224.48	159.31	84.74	26.38	15.04
Egypt	216.77	29.97	0.02	24.17	5.02	108.67	..
North Africa (excluding Egypt)	4.47	45.74	18.74	17.28	9.99	1.08	..
West Africa	565.23	489.05	204.43	311.47	253.43	126.37	55.74
Australasia	843.02	374.47	240.78	259.94	238.59	161.93	142.41
Sumatra and Borneo	80.93	..	..	..	8.53	..	..
British Malaya	..	..	..	..	0.82	0.19	..
East Indies and Philippines	0.61	..	..	..	..	4.73	..
Other Foreign Countries	4.14	11.21	5.18	8.79	15.95	4.58	23.20
Total Grey and White Piecegoods	4,779.90	3,157.22	2,757.00	2,895.74	2,041.45	1,068.60	1,472.68

Foreign Countries to which Indian Cotton Yarn have been exported from Bombay by Sea since 1942.

(*Year ending* 31*st December.*)

In lakhs of lbs. (000's omitted.)

To	1942	1943	1944	1945	1946	1947	1948
Pakistan	..	..	..	..	..	..	38.56
Turkey in Europe	3.27	34.27	12.69	12.50	14.55	..	..
Other European Countries	..	..	..	..	..	..	..
America	0.23	..	..	..	..	..	..
Burma	1.64	..	..	..	..	..	0.19
Ceylon	0.61	0.48	0.51	..	0.09	0.02	..
China (Including Hongkong)	..	..	..	..	..	..	..
Straits Settlements	..	..	..	..	..	..	..
Iran	3.77	0.87	..	..	..	..	..
Iraq	19.64	2.82	3.18	9.36	3.22	..	0.82
Arabia	4.71	0.57	0.81	..	0.78	0.46	..
Turkey (Asiatic)	24.26	4.02	..	..	..	..	..
Palestine	43.10	30.66	45.94	22.28	3.52	..	..
Syria	82.95	4.77	4.84	6.14	2.52	0.30	..
Cyprus	4.47	4.41	5.48	4.48	1.21	..	..
Aden	69.47	6.56	27.97	9.55	0.58	0.03	..
Madagascar	..	..	..	..	..	..	..
Mauritius, Seychelles and Reunion	..	..	..	..	..	..	..
British East Africa	1.25	0.16	0.02	..	..	..	..
Portuguese East Africa	1.34	..	..	..	..	..	..
African Red Sea Ports	21.26	0.11	2.78	30.20	16.14	0.38	0.04
South Africa	47.89	28.09	10.91	4.21	1.85	..	..
Egypt	14.85	0.75	0.40	3.87	0.15	..	..
North Africa (Excluding Egypt)	..	..	..	..	..	..	..
West Africa	5.08	2.02	1.73	1.83	2.14	..	..
Australasia	32.01	5.52	6.64	0.67	..	..	..
Sumatra and Borneo	97.15	..	..	..	..	..	..
British Malaya	..	..	..	..	..	..	..
East Indies and Philippines	6.28	..	..	..	..	..	..
Other Foreign Countries	..	..	..	..	..	..	0.17
Total Yarns	485.23	126.08	123.90	105.09	46.75	1.19	39.78

COAL.

Imports of Coal into Bombay by Sea and Rail.

The following return of the Imports of Coal into Bombay by Sea and Rail in the years 1942 to 1948 is printed for the information of members :—

From	1942.	1943.	1944.	1945.	1946.	1947.	1948.
By Sea. ...	Tons.	Tons.	Tons.	Tons	Tons.	Tons.	Tons.
Europe	..	..	..	..	..	200	..
Australia ..	..	..	..	..	..	..	..
Japan	..	..	..	..	..	..	..
Africa	5,860	..	..	..	..	..	..
Other Foreign Countries ..	..	..	..	..	..	..	..
Indian Ports ..	35,605	33,322	4,055	153,917	160,088	172,588	209,270
Total—By Sea..	41,455	33,322	4,055	153,917	160,088	172,788	209,270
Total—By Rail.	780,227	587,351	514,412	282,829	282,232	268,845	197,992
Grand Total ..	827,682	620,673	519,367	436,746	442,320	444,033	407,262

COTTON TRADE DURING 1947-48.

The following are the main features of the cotton trade during the season 1947-48 as compared with the previous season:

(*a*) A decrease in production of 464,000 bales or 11 per cent. due to some reduction in acreage, unfavourable weather in some sections of the cotton belt and wanton destruction of crop in the Punjab and Sind owing to communal trouble in August 1947.

(*b*) A very substantial increase of 771,000 bales or 68 per cent. in Indo-Pakistan exports.

(*c*) An increase of 387,000 bales or 12 per cent. in mill consumption.

(*d*) A reduction in mill stocks of 145,000 bales or 9 per cent.

(*e*) A large reduction of 1,400,000 bales or 53½ per cent. in trade stocks at the end of the season.

Exports were practically free in Pakistan. In the Indian Union they were free till 30th November 1947. From the beginning of December exports were partly restricted; medium and short-staple cotton was declared to be free for export till March 1948 but exports of long-staple cotton were prohibited. However, due to growing shortage of staple cotton for Indian mill consumption the Government revised their cotton export policy middle of January 1948 and prohibited export of all cotton except the short-staple varieties of Omra Deshi (but not C.P. 1 and C.P. 2), Bengal Deshi, Mattia and Assam/Comillas. Subsequently in April 1948 also Omra Deshi was added to the varieties prohibited for export. Sales of medium-staple cotton made prior to 19th January 1948 were, however, licensed for export on production of proper sale evidence. The figure of exports from the Indian Union contains 220,000 bales exports to Japan whereof 134,000 bales are Government account cotton sold and shipped to Japan on a Government-to-Government basis and 86,000 bales purchased in Bombay by the S.C.A.P. Mission who, as a goodwill gesture, were allotted a special quota of 55,000 bales of some of the prohibited varieties.

The Bombay Port statistics reveal the following picture:

		Compared with 1946-47.
	Bales.	Bales.
Stock on 1st September 1947 as estimated by the East India Cotton Association, Ltd. ..	1,242,037	—122,736
Arrivals by rail and sea during year ending 31st August 1948 ..	2,215,737	+230,571
Arrivals by road	41,964	+ 37,039
Total ..	3,499,738	+144,874

Exports from Bombay during the year ending 31st August 1948 :

		Compared with 1946-47.
	Bales.	Bales.
United Kingdom	67,435	+ 26,674
Continent	346,312	+158,993
United States of America ..	44,304	+ 40,790
China	238,087	+ 36,570
Japan	220,286	+220,286
Other Foreign Countries ..	25,535	+ 11,980
Indian Ports	156,017	+100,969
	1,097,976	+596,262
Exports by rail during the season	348,628	—107,920
	1,446,604	+488,342
Bombay Mill Consumption during the season	1,220,440	+ 93,376
	2,667,044	+581,718
Estimated carry-over on 31st August 1948	832,694	—436,844
Total ..	3,499,738	+144,874

The East India Cotton Association estimated the stock on 31st August 1948 as 965,497 bales.

Mill Consumption in the whole of the Indian Union reached a total of 3,566,000 bales as compared with 3,179,000 bales during the season 1946-47. Consumption was running low during the first six months of the season, the average monthly consumption being only 271,000 bales. The total abolition of all yarn and cloth controls end of January had a very stimulating effect on mill consumption and mill output which began to show itself from March onwards. In February the consumption was 262,107 bales. In March there was a big jump to 306,261 bales and the peak consumption of the season was in July when it reached 355,125 bales. The average consumption per month during the second half of the season was 323,000 bales. The removal of the yarn and cloth control, however, led to a sky-rocketing of cloth and yarn prices. The resulting public outcry against decontrol brought about a re-imposition of controls end of July. In August, the last month of the season, mill consumption once again declined to 307,610 bales.

Other important features of the trade during the season were :

(1) A very small acreage of 10,932,000 acres in the Indian Union compared with 11,769,000 acres in 1946-47 and an average acreage of about 19 to 20 million acres in the pre-war seasons.

(2) A small crop of 3,748,000 bales for India and Pakistan whereof 2,775,000 bales in India and only 973,000 bales in Pakistan.

(3) A steady liquidation of the war-time surplus cotton leading to scarcity of better quality cotton in India, and

(4) A rise in the price of cotton to record heights on the abolition of the yarn, cloth and cotton price controls followed by a steep decline.

Now that the war-time surplus cotton has been liquidated through domestic mill consumption and exports, India is for the first time facing a shortage of cotton required for the mill industry. The division of the country has made a very great difference as far as supply of cotton to the mills in India is concerned. Nearly all the mills are situated in the Indian Union whereas about 1¼ million bales of long and medium-staple cotton so essentially needed for Indian mill consumption is grown in Pakistan. India's normal needs of Pakistan cotton are about 10 lakhs bales per year. But Pakistan cannot give all this cotton to India. They require at least half of their crop for export to foreign countries in order to earn the much needed foreign exchange. India can expect only about 5 to 6 lakhs bales in exchange for piecegoods and other commodities of which Pakistan is in short supply. This leaves a gap of about 5 lakhs bales of high quality cotton which is not easy to bridge. The deficiency could no doubt be met to some extent by extending cotton cultivation in India but the ever worsening food situation in the country does not allow of any large-scale diversion of land from food to cotton in the immediate future. Besides, the ceiling prices for cotton fixed in India which are considerably below those obtaining for Pakistan cotton of equal intrinsic value do not provide the necessary incentive to the Indian farmer to grow more cotton.

It is but natural that such a tight position for cotton in India should lead to higher prices for the commodity. As the period under review witnessed the removal of floors and ceilings for cotton and the abolition of the remaining textile controls, which were later reimposed, it also saw a record rise in the price of cotton. During September, October, November and December 1947 fluctuations in the Indian Cotton Contract were small. At the beginning of September the January and March contracts

stood at Rs. 457 and Rs. 464 respectively and the closing prices at the end of the month were Rs. 470 and 475. September was a month of sore trial. Following political freedom, combined with the partition of the country, minorities in both Pakistan and the Union ran into such rough treatment that the whole of the Punjab and parts of Sind became completely disorganized. Large-scale movement of minority populations followed, causing such disruption of normal life that business was relegated into the dim and distant background. Of no consequence was the advance of Rs. 10 during the second half of September in the Jarilla contracts for January and March delivery.

In October the tendency of the market was downward, resulting in a net loss of Rs. 9¾, Rs. 11¼ and Rs. 14⅜ in the January, March and May contracts which on 31st October closed at Rs. 459¾, Rs. 463⅛ and Rs. 469⅝ respectively. The Pakistan Government made an important announcement in October allowing free exports upto the end of the season, i.e., upto 31st August 1948. The Government of India announced that they would introduce per 1st December 1948 a cloth standardisation scheme, the main features of the scheme being :

(1) Continuation of the control of cloth and yarn.
(2) Increase in production by 800 million yards.
(3) Lowering of the average count and a reduction of varieties.
(4) The setting up of an equalization fund.
(5) The quota-holders' commission to be halved.
(6) Labour to be compensated for extra work.

In November too fluctuations were small and at the end of the month the January, March and May contracts closed at Rs. 474⅜, Rs. 471½ and Rs. 477½ showing a net gain of Rs. 14½, Rs. 8⅜ and Rs. 7⅞ respectively. Reviewing their cotton export policy the Government of India issued a Press *communique* on 29th November prohibiting the export of long-staple cotton (cotton 13/16″ and above). This step was necessitated by the growing shortage of staple cotton for Indian mill consumption and the uncertainty about the supply of Pakistan cotton.

The upward price trend which developed during the last week of November continued right through December. Not only were the futures contracts carried away by the bulls but also the basis, notably up-country, firmed up very considerably. After opening at about Rs. 475 on 1st December the January Contract got into a real squeeze and touched Rs. 527 on 23rd December. Upto the Christmas holidays the various factors responsible for the sharp upturn were :

1. Excellent demand at inland markets chiefly by mills and commission agents.

2. Reported concentration of a large block of January futures contracts in a few hands in the face of a difficult transport situation rendering large tenders improbable.

3. Presistent rumours about Government control over cotton and textiles being abolished shortly.

During the holidays (24th and 25th December), when the market was officially closed, futures receded about Rs. 10 due to profit-taking by the bull group.

In January 1948 the official yarn and cloth price control was abandoned in favour of a voluntary control by manufacturers at prices ranging from 10 per cent. to 35 per cent. over the official pre-January ceilings. This voluntary control worked even less satisfactorily than the official control that preceded it. Apart from the rising cotton prices which made it difficult for the mills to keep production costs within the unofficial price ceilings agreed to, it was found that cloth, especially of the finer varieties, reached the consumer at about double the ex-mill price. To remedy this Government had the choice between reintroduction of the official control, a big undertaking and, in the light of previous experience, of doubtful success, and the scrapping of all controls. The Government adopted the latter course and removed all the remaining controls in April 1948.

Between the beginning of January and middle of May the Indian Cotton Contract for Jarilla cotton rose by nearly Rs. 300 per candy. As long as the controls were there the contract could not go beyond the ceiling price of Rs. 530 per candy, but with the removal of the ceilings the law of supply and demand began to operate. From then onwards it was a question of the market finding its own level. The speculative element in the bazar which was dormant during the control period became active once again. From January till middle of May the trend of the market was continuously bullish. The day-to-day market no doubt fluctuated very widely with many ups and downs but the ultimate trend was upward. The strong statistical position for Indian cotton, keen demand from mills and exporters were factors which contributed to a great extent to the phenomenal rise in the price of cotton. There is no doubt that the speculative element headed by a bull syndicate owing to their heavy buying pushed the contract prices somewhat higher than was warranted by the prevailing circumstances. The last few days of May and the greater part of June were periods of reaction for the contract market. The I.C.C. July and September position which touched the peak price of Rs. 790 and Rs. 797½ respectively on 13th May declined precipitously and touched a low of Rs. 634 and Rs. 633 on 24th June, thus registering a net loss of Rs. 156 and Rs. 164½ respectively. There were many causes which led to the decline.

First of all the bubble of inflationary and fantastic price increases in cotton textiles which followed the decontrol of cloth and yarn burst. There was a general reluctance to buy cotton textiles either as a speculative or investment proposition at such high prices. The fancy premium paid over the January 19 ex-mill prices began to disappear fast. At Indore premiums fell from 250 per cent. to 50 per cent. and at Ahmedabad stocks began to pile up. In Bombay the buying wave gave place to a more sober attitude on the part of the wholesalers as well as retailers and consumers. The Government of India's reported threat to freeze all cloth and yarn stocks and reintroduce textile control, if necessary, acted as a damper on the profiteers. All these factors had their reflection on the trend of the cotton market which had turned very bearish. Further bearish factors were the outbreak of the monsoon, exaggerated reports of a possible large increase in cotton acreage, the breakdown in the Indo-Hyderabad talks and finally the visit of an Indian Delegation to Egypt to barter for substantial quantities of Egyptian cotton for India in exchange for Indian jute and tea. A ding-dong battle ensued between the "Bulls" and the "Bears" but the odds, at least for the time being, were very much against the former and prices gave way very sharply owing to aggressive selling. From the lowest point touched on 24th June the contract market rallied to some extent under a fresh buying spurt, the July and September contracts touching Rs. 686 and Rs. 671 respectively on 28th June. The two contracts closed on 30th June at Rs. 660½ and Rs. 647 respectively.

During the first three weeks of July the market moved rather irregularly. The July contract opened at Rs. 662 and dropped to Rs. 636 within 24 hours. After this, periods of nervousness alternated with sharp rallies. Rather wide fluctuations of Rs. 15 to Rs. 25 during one day's trading were the rule. Although the inherently strong statistical position of Indian cotton was generally recognized, confidence continued to be lacking. The market was overshadowed by the fear of textile and cotton price controls being reimposed. Reports appearing in the Press on 22nd July said that reimposition of textile control in a "modified and elastic form" was recommended by the Textile Advisory Committee. This was interpreted in the sense that the control would not be a total one and not be as rigid as it was before the 19th January 1948. On this the market firmed up. However, the prevailing optimism was quickly shattered when it transpired that it was intended to also bring cotton prices under control. Frantic long liquidation and short selling followed. The September contract nose-dived from Rs. 660 on 22nd July to Rs. 588 on 31st July. The closing rate was slightly steadier at Rs. 593.

After a steady decline in cotton prices during June and July aggregating about Rs. 120 per candy, trading during the first week of August was rather undecided and cautious. I.C.C. September moved between Rs. 602 and Rs. 584. All the while deliberations were going on in Delhi regarding cotton price control. Though there were some who were of the opinion that cotton price control was unnecessaryi n view of the export ban, the majority believed that control was unavoidable and that without it Textile Control would not succeed. Even so the trade expected that Governmert would fix reasonable ceilings, bearing in mind the fact that cotton, of all agricultural produce, was still the cheapest and that India, being short of medium and long-staple cotton, the farmer should be paid a fair price in order to induce him to grow more cotton. No one was prepared for the blow that fell on the night of 21st August when Government announced the ceilings for Jarilla ¾" staple at Rs. 600 and 25/32" staple at Rs. 620 and floors at Rs. 475 and Rs. 495 respectively. This knocked the bottom completely out of the market. When, as a special case, trading was permitted for two hours on Sunday afternoon of 22nd August, I.C.C. September opened at Rs. 539, i.e., Rs. 42-8 below the previous day's closing and closed weak at Rs. 531. During the remaining 10 days of the month, I.C.C. September continued to be weak. The lowest rate touched on 25th August was Rs. 495 and when August ran out, I.C.C. September was Rs. 505½ or Rs. 87½ lower than at the end of July.

The following table gives details of arrivals into Bombay by Sea and Rail (arrivals by Road are not included) during the season with the total of the five previous years. (Actual weight converted into Bales of 3½ cwts. in each, after allowing 2 per cent. for tare in the case of receipts by rail.) Season ending 31st August in each case :—

Varieties.	1947-48.	1946-47.	1945-46.	1944-45.	1943-44.	1942-43.
	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.
Khandeish	60,815	43,306	66,620	50,147	61,592	117,165
Central India	83,999	56,167	71,885	33,656	59,783	55,637
Barsi Nugger	92,969	112,928	103,983	77,743	50,934	42,142
Hyderabad Gaorani	58,041	34,109	35,075	27,925	15,259	21,369
Berar	322,499	203,855	289,954	235,529	257,393	207,968
Central Provinces	79,229	51,144	62,812	55,008	51,048	34,409
Dhollera	199,473	114,348	348,726	124,056	70,051	36,897
North-west Provinces	8,415	1,382	4,823	742	811	1,377
Rajputana	66,956	31,283	35,689	3,946	1,082	44
Sind Punjab	401,824	411,866	501,667	558,471	410,414	779,428
Broach	185,300	229,401	198,737	161,742	334,624	126,986
Compta-Dharwars	90,179	21,961	52,369	84,193	41,322	89,597
Westerns/Northerns	61,789	26,963	66,749	82,526	11,238	23,082
Cocanada	753	....	....	....	....	....
Tinnevelly and Cambodia	21,952	4,240	10,776	13,674	1,208	15,587
Soudan	95,511	59,508	209,118	90,470	82,466	37,405
Americans	29,238	70,316	40,423	13,339	....	....
Egyptians (other than Soudan) ..	187,479	296,364	153,357	284,702	238,439	330,716
Africans, East	169,137	212,815	250,206	149,107	188,118	134,578
Comilla, Burmah and other Sorts ..	† 179	‡ 3,210	¶ 20,555	¶ 4,109	** 2,712	* 1,084
Total ..	2,215,737	1,985,166	2,523,524	2,051,085	1,878,494	2,055,471

** Including 211 bales from Shalimar and 2,437 bales from Afghanistan.
* Including 507 bales from Shalimar.
‡ Consisting of 3,185 of Afghan cotton and 25 bales Calcutta cotton.
¶ Afghan cotton.
† Calcutta cotton.

The following table gives the Actual Clearances of Cotton by Sea from Bombay, to different Countries during the years ending 31st August from 1941-42 to 1947-48 :—

To	1947-48	1946-47	1945-46	1944-45	1943-44	1942-43	1941-42
	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.
United Kingdom	67,435	40,761	38,674	27,598	42,143	51,938	213,100
France	50,771	27,885	9,996	12,000	..	..	..
Belgium	101,191	59,306	28,090	9,750	..	..	..
Italy	71,579	12,245	3,600	..	..	..	..
Holland	30,837	5,659	2,060	..	..	..	..
Greece	1,009	..	299	..	..	..	..
Yugoslavia	..	..	..	..	..	..	..
Norway	53	83	..	..	..	..	..
Sweden	1,900	385	637	..	..	..	..
Spain	63,992	67,346	23,190	..	..	..	..
Czechoslovakia	12,060	7,190	..	..	..	..	..
Austria	5,818	..	..	..	..	..	..
Switzerland	3,850	4,145	4,070	..	..	..	..
Portugal	495	..	..	..	110	..	..
Hungary	1,750	3,075	..	..	..	..	..
Denmark	1,007	..	293	..	..	..	..
United States of America	44,304	3,514	15,512	3,619	11,597	..	47,397
Canada	845	100	491	601	100	..	..
China (Including Indo-China)	238,087	201,517	282,256	..	..	..	3,034
Japan	220,286	..	..	..	..	..	23,901
Korea	..	..	..	..	..	..	5,332
Australia	4,781	6,405	3,073	1,820	7,032	2,234	14,481
Iraq	..	..	50	..	..	4,657	..
Iran	..	..	..	..	2,285	1,400	..
Ceylon	301	1,002	250	1,524	2,427	2,481	2,084
Burma	17,300	3,225	..	..	..	..	..
Other Foreign Countries	2,308	2,823	3,836	721	230	877	903
Indian Ports	156,017	55,048	120,831	110,257	123,799	95,353	57,692
Total ..	1,097,976	501,714	537,208	167,890	189,723	158,940	367,924

Comparative Statement showing the Actual Clearance of Cotton from Bombay by Sea to different Countries during the Calendar Years 1942 *to* 1948.

	1948	1947	1946	1945	1944	1943	1942
	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.	Bales.
United Kingdom	63,032	51,835	20,126	41,239	46,550	52,838	174,776
France	35,168	47,368	496	21,500	..	..	..
Belgium	56,926	110,297	31,516	14,325	..	..	..
Austria	4,966	1,482	..	..	..	..	..
Holland	44,934	11,026	2,520	..	..	..	..
Denmark	1,442	..	293	..	..	..	..
Sweden	2,336	440	637	..	..	..	..
Spain	22,040	111,158	9,590	13,600	..	..	..
Portugal	1,015	..	..	..	110	..	..
Hungary	1,000	3,825	..	..	..	..	..
Italy	61,674	33,111	3,710	..	..	..	..
Switzerland	2,340	3,950	4,785	990	..	..	..
Czechoslovakia	11,560	7,690	..	..	..	..	..
Yugoslavia	..	..	..	..	..	..	..
Norway	163	28	55	..	..	..	..
Greece	1,009	..	299	..	..	..	..
United States of America	38,764	15,171	11,576	8,789	1,786	9,997	31,527
Australia	6,478	6,122	2,412	1,461	2,065	8,196	13,906
Japan	84,521	136,486	..	..	..	..	..
China	108,927	268,233	353,901	..	..	..	..
Korea	..	..	..	..	..	..	..
Ceylon	101	202	1,250	1,006	2,605	2,821	1,884
Iraq	..	..	50	..	..	4,557	100
Burma	..	20,525	..	..	..	..	..
Iran	..	..	..	..	2,285	1,400	..
Canada	700	245	391	415	200	..	..
Other Foreign Countries	2,038	3,023	2,826	1,721	110	741	1,159
Indian Ports	218,203	57,959	90,286	112,600	137,165	124,786	56,964
Total	769,337	890,176	536,719	217,646	192,876	205,336	280,316

COTTON.

RECEIPTS at, and Exports from, Bombay Port, also Mill Consumption in the Island of Bombay since 1864.

In thousands of Bales (000's omitted).

Year ending 30th June.	Receipts.	Exports to			Mill Consumption.	Total.
		Europe.	Elsewhere.	Total.		
1864 ..	..	867	3	870	American War. In 1863 and 1864 Bombay imported Cotton from China.	
1865 ..	..	1,065	1	1,066		
1866 ..	..	1,187	14	1,201	42	1,243
1867 ..	..	1,277	5	1,282	46	1,328
1868 ..	..	1,030	48	1,078	47	1,125
1869 ..	..	1,225	56	1,281	48	1,329
1870 ..	..	1,115	50	1,165	49	1,214
1871 ..	..	967	39	1,006	50	1,056
1872 ..	1,085	1,002	48	1,050	52	1,102
1873 ..	1,151	1,079	34	1,113	53	1,166
1874 ..	978	917	34	951	67	1,018
1875 ..	1,311	1,192	25	1,217	83	1,300
1876 ..	1,345	1,285	20	1,305	135	1,440
1877 ..	1,073	980	35	1,015	147	1,162
1878 ..	1,141	920	38	958	161	1,119
1879 ..	861	800	46	846	204	1,050
1880 ..	832	652	64	716	181	897
1881 ..	1,171	874	34	908	220	1,128
1882 ..	1,832	1,521	87	1,608	277	1,885
1883 ..	1,770	1,335	95	1,430	313	1,743
1884 ..	1,759	1,295	100	1,395	348	1,743
1885 ..	1,139	791	70	861	392	1,253
1886 ..	1,480	1,009	61	1,070	391	1,461
1887 ..	1,703	1,147	40	1,187	454	1,641
1888 ..	1,472	893	58	951	500	1,451
1889 ..	1,851	1,286	46	1,332	565	1,897
1890 ..	2,235	1,488	71	1,559	636	2,195
1891 ..	2,020	1,070	107	1,177	762	1,939
1892 ..	1,770	905	202	1,107	728	1,835
1893 ..	1,738	816	169	985	724	1,709
1894 ..	1,769	908	159	1,067	731	1,798
1895 ..	1,540	525	143	668	815	1,483
1896 ..	2,151	800	346	1,146	849	1,995
1897 ..	1,612	603	405	1,008	703	1,711
1898 ..	1,730	424	409	833	817	1,650
1899 ..	2,033	578	520	1,098	951	2,049
1900 ..	988	117	444	561	745	1,306
1901 ..	1,896	620	340	960	696	1,656
1902 ..	2,142	525	732	1,257	987	2,244
1903 ..	2,454	921	349	1,270	986	2,256
1904 ..	2,151	1,036	423	1,459	973	2,432
1905 ..	2,609	334	664	1,048	1,072	2,120
1906 ..	2,663	1,017	477	1,494	1,141	2,635
1907 ..	2,949	1,169	747	1,916	1,116	3,032
1908 ..	2,123	731	454	1,185	1,079	2,264
1909 ..	2,166	643	723	1,366	1,099	2,465
1910 ..	3,152	1,054	968	2,022	984	3,006
1911 ..	2,467	1,014	668	1,682	953	2,635
1912 ..	2,540	383	923	1,306	1,078	2,384

COTTON.

RECEIPTS at, and Exports from, Bombay Port, also Mill Consumption in the Island of Bombay, since 1864.
In thousands of Bales (000's omitted)—*contd.*

Year ending 31st August.	RECEIPTS.		Total Receipts.	EXPORTS.			Total Exports.	Mill Consumption.	Total.
	Indian Ports.	Foreign Countries		Europe.	China and Japan.	Elsewhere.			
1913	2,733	46	2,779	534	1,023	30	1,587	*1,072	2,659
1914	3,733	6	3,739	1,301	1,245	24	2,570	1,078	3,648
1915	2,683	5	2,688	405	1,441	15	1,861	1,026	2,887
1916	3,133	6	3,139	294	1,691	8	1,993	1,096	3,089
1917	3,103	17	3,120	302	1,321	7	1,630	1,135	2,765
1918	2,279	27	2,306	293	1,213	7	1,513	1,068	2,581
1919	2,525	18	2,543	195	885	11	1,091	1,000	2,091
1920	3,405	22	3,427	629	1,579	24	2,232	957	3,189
1921	2,786	116	2,902	494	1,381	26	1,901	1,061	2,962
1922	3,383	109	3,492	645	1,896	52	2,593	1,074	3,667
1923	3,611	61	3,672	851	2,086	53	2,990	1,060	4,050
1924	3,227	93	3,320	1,104	1,558	53	2,715	821	3,536
1925	3,573	95	3,668	713	2,021	33	2,767	995	3,762
1926	3,208	127	3,335	552	1,874	26	2,452	778	3,230
1927	2,692	474	3,166	419	1,539	27	1,985	995	2,980
1928	3,235	189	3,424	798	1,391	34	2,223	569	2,792
1929	3,233	123	3,356	906	1,796	61	2,763	631	3,394
1930	3,317	163	3,480	946	1,647	63	2,656	877	3,533
1931	2,933	470	3,403	599	1,903	27	2,529	839	3,368
1932	1,557	538	2,095	154	762	38	954	921	1,875
1933	2,286	249	2,535	426	1,200	30	1,656	798	2,454
1934	2,293	223	2,516	396	1,136	23	1,555	613	2,168
1935	2,031	471	2,502	413	1,171	34	1,618	885	2,503
1936	2,877	293	3,170	516	1,464	34	2,014	836	2,850
1937	2,643	486	3,129	487	1,591	53	2,131	828	2,959
1938	1,825	728	2,553	354	803	64	1,221	1,037	2,258
1939	1,953	401	2,354	323	1,401	37	1,761	987	2,748
1940	1,763	485	2,248	284	937	62	1,283	813	2,096
1941	2,167	670	2,837	97	907	44	1,048	1,148	2,196
1942	1,394	570	1,964	213	32	123	368	1,310	1,678
1943	1,551	504	2,055	52	..	107	159	1,484	1,643
1944	1,369	509	1,878	42	..	148	190	1,452	1,642
1945	1,509	542	2,051	49	..	119	168	1,493	1,661
1946	1,850	674	2,524	111	282	144	537	1,362	1,899
1947	1,343	642	1,985	228	201	72	501	1,127	1,628
1948	1,735	481	2,216	414	458	226	1,098	1,220	2,318

N.B.—As noted in the Chamber's Report for 1913, the figures shown above represent the volume of trade in cotton from 1st September to 31st August instead of for the year ending 30th June as was previously the case.

* Year ending 30th June.

RAINFALL AT BOMBAY, 1843 TO 1948.

The following statement showing the Rainfall recorded at the Colaba Observatory, Bombay, for each month during the years 1843-1948, is published for the information of members :—

Year.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Annual Total.
1843 ..	..	..	..	..	0.15	7.61	20.62	17.70	8.39	0.77	..	..	55.24
1844 ..	0.06	0.33	..	..	..	18.58	29.28	5.91	8.05	0.40	..	0.10	62.71
1845 ..	..	..	..	..	..	17.88	18.07	9.54	8.63	..	..	..	54.12
1846 ..	..	..	..	..	..	26.41	33.19	6.65	6.65	1.03	..	..	73.93
1847 ..	0.09	0.02	..	0.31	1.40	37.56	16.46	8.68	5.68	0.28	5.53	..	76.01
1848 ..	..	..	..	0.59	5.67	39.98	13.90	7.37	2.32	5.84	0.19	..	75.86
1849 ..	0.34	..	..	..	..	23.41	50.99	12.66	26.13	0.75	0.61	..	114.89
1850 ..	..	..	..	..	..	14.80	20.15	5.36	4.77	4.89	0.25	..	50.25
1851 ..	..	..	..	..	0.52	24.50	47.02	20.03	3.89	0.04	0.07	..	96.07
1852 ..	..	..	0.01	..	0.30	21.76	22.17	11.16	12.67	0.19	..	1.01	69.27
1853 ..	..	0.05	0.02	..	..	33.70	13.05	5.95	9.83	..	..	..	62.60
1854 ..	..	..	..	..	..	16.34	38.95	3.90	13.61	7.49	1.85	..	82.14
1855 ..	..	..	..	..	..	29.18	11.83	3.82	5.29	9.06	..	..	50.18
1856 ..	..	..	..	..	2.09	24.66	24.48	6.73	7.78	0.06	..	0.12	65.92
1857 ..	..	..	..	..	0.57	9.26	8.74	15.71	14.21	2.78	..	..	51.27
1858 ..	..	..	..	0.15	1.57	14.44	20.12	7.48	15.47	3.22	..	..	62.45
1859 ..	..	..	..	..	..	26.87	28.70	14.59	5.94	1.06	..	..	77.16
1860 ..	..	..	..	..	0.03	21.97	22.39	7.11	8.15	2.50	..	..	62.15
1861 ..	..	..	..	..	0.69	15.43	25.34	30.35	3.24	1.86	..	..	76.91
1862 ..	..	..	..	..	0.01	22.31	15.10	12.65	21.69	1.42	0.45	..	73.63
1863 ..	0.41	..	..	0.11	0.07	23.41	30.78	10.60	9.98	2.32	..	..	77.68
1864 ..	..	..	..	..	0.01	15.42	13.36	10.72	5.59	..	0.47	..	45.57
1865 ..	0.38	..	..	..	..	10.61	18.28	36.42	4.86	6.16	1.14	..	77.85
1866 ..	..	0.11	..	..	..	13.47	40.34	20.34	3.44	0.74	..	..	78.44
1867 ..	..	..	..	..	..	8.70	39.39	12.21	6.80	5.07	0.13	..	72.30
1868 ..	..	..	0.01	..	..	13.52	20.43	20.29	7.71	0.14	0.02	..	62.12
1869 ..	..	..	..	..	0.03	26.22	23.89	15.24	22.56	3.55	0.05	0.12	91.66
1870 ..	..	..	0.03	0.02	..	21.73	26.43	6.27	7.08	4.65	..	..	66.21
1871 ..	2.22	..	..	..	1.25	8.91	9.96	8.95	6.01	0.25	2.97	0.06	40.58
1872 ..	..	..	..	..	0.06	24.43	24.84	9.49	16.59	1.07	..	..	76.48
1873 ..	..	0.05	..	..	0.51	20.36	16.98	23.96	7.77	0.07	..	..	69.70
1874 ..	..	..	..	..	0.05	18.68	41.24	11.14	11.05	0.02	..	..	82.18
1875 ..	0.47	..	..	..	..	24.36	15.39	12.23	31.76	..	0.35	..	84.56
1876 ..	..	..	..	..	0.01	12.97	23.69	8.66	4.68	..	..	..	50.01
1877 ..	0.22	0.52	..	..	..	35.58	11.10	8.51	8.89	8.33	..	..	73.15
1878 ..	0.03	..	..	0.02	0.02	19.99	48.33	20.46	16.42	4.89	2.61	..	112.77
1879 ..	..	..	0.03	..	5.23	16.56	11.21	22.36	5.61	0.40	..	..	61.40
1880 ..	..	0.01	0.02	..	..	21.48	18.37	4.08	22.80	1.18	..	..	67.94
1881 ..	..	..	0.04	..	0.36	15.29	29.47	19.06	4.56	4.17	0.09	..	73.04
1882 ..	..	0.04	0.02	0.08	0.02	27.54	26.94	3.36	10.08	1.12	0.03	..	69.23
1883 ..	0.12	..	..	..	0.33	13.65	39.88	12.57	12.37	10.40	0.86	..	90.18
1884 ..	0.03	..	..	..	..	13.25	25.87	15.29	17.04	2.22	0.60	1.14	75.44
1885 ..	..	..	..	..	0.02	5.11	21.81	25.42	12.01	3.54	..	..	67.91
1886 ..	..	..	..	0.01	0.96	43.45	35.79	10.69	6.54	1.69	0.61	..	99.74
1887 ..	..	..	..	0.02	0.09	24.07	30.98	17.59	18.23	2.79	1.02	0.16	94.95
1888 ..	1.85	0.02	0.10	..	..	15.76	22.47	11.43	4.92	0.11	1.16	..	57.82
1889 ..	..	..	..	..	0.67	19.89	30.45	10.32	2.71	3.80	..	..	67.84
1890 ..	..	..	..	0.01	0.06	24.55	21.54	10.61	6.45	0.58	1.25	1.13	66.18
1891 ..	..	..	0.22	..	..	13.99	32.48	6.94	22.53	1.04	..	..	77.20
1892 ..	..	..	..	..	0.11	13.30	23.86	36.56	18.73	1.89	0.67	..	95.12
1893 ..	..	0.14	..	0.02	6.30	21.47	16.14	13.55	7.54	0.45	1.63	..	67.24
1894 ..	0.22	..	0.06	0.01	..	16.87	26.16	8.40	12.04	3.08	..	0.01	66.85
1895 ..	..	0.07	..	..	0.08	17.84	18.04	15.97	11.91	3.62	0.06	..	67.59
1896 ..	..	..	..	..	0.26	28.02	36.44	20.77	1.62	0.01	0.53	..	87.65
1897 ..	0.01	..	..	..	..	14.40	30.19	13.82	20.60	2.51	0.22	..	81.75
1898 ..	..	0.17	..	..	0.16	27.21	20.72	5.28	19.94	0.48	0.13	..	74.09
1899 ..	..	..	..	1.57	0.08	20.81	4.72	5.23	3.49	..	..	..	35.90
1900 ..	..	..	..	..	..	18.26	25.75	17.62	7.49	..	..	..	69.12
1901 ..	0.74	..	..	0.04	0.01	25.36	32.70	14.27	1.81	0.39	..	..	75.32

Year.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Annual Total.
1902 ..	..	..	..	..	..	9.77	16.96	16.53	27.11	0.78	0.01	0.81	71.97
1903 ..	..	..	0.17	..	7.79	19.75	24.82	18.23	7.82	5.91	..	..	84.49
1904 ..	..	..	0.07	..	0.02	15.10	10.14	5.72	1.81	0.56	..	..	33.42
1905 ..	..	0.08	..	..	..	6.53	15.30	4.35	6.16	0.20	1.04	..	33.56
1906 ..	..	0.15	..	..	..	12.91	18.34	20.92	3.98	..	..	..	56.30
1907 ..	..	0.27	..	0.06	..	22.48	59.05	15.99	2.26	0.67	..	..	100.73
1908 ..	0.09	0.07	0.06	..	..	12.39	23.65	9.87	6.79	0.62	..	..	53.54
1909 ..	..	..	..	..	..	16.60	30.05	8.52	16.05	..	..	..	71.22
1910 ..	..	..	..	..	0.03	23.50	6.50	18.15	15.25	4.29	0.14	..	67.86
1911 ..	0.06	..	..	..	0.04	10.85	15.24	17.09	2.96	..	0.27	..	46.51
1912 ..	..	..	..	..	0.43	10.79	25.40	9.90	3.26	0.65	3.62	..	54.05
1913 ..	..	0.07	..	..	..	25.81	33.33	3.72	5.75	2.35	..	..	71.03
1914 ..	..	0.08	..	0.07	..	16.65	30.13	13.27	21.06	0.01	0.18	..	81.45
1915 ..	..	0.30	0.69	0.08	0.36	39.78	14.62	8.45	10.78	2.55	0.02	..	77.61
1916 ..	..	..	..	0.04	0.07	23.43	22.78	19.51	14.59	4.79	0.72	..	85.93
1917 ..	..	1.68	..	..	0.88	14.96	13.26	32.18	16.92	19.96	..	..	99.84
1918 ..	..	..	1.46	..	11.00	10.82	4.25	4.81	3.11	..	0.09	..	35.54
1919 ..	0.11	..	..	..	..	16.31	31.30	10.85	8.03	1.54	0.18	..	68.32
1920 ..	0.99	0.33	..	..	..	8.16	22.00	5.18	4.05	0.34	..	..	41.05
1921 ..	..	..	..	..	..	26.74	35.68	10.36	13.02	0.22	..	..	86.02
1922 ..	..	..	..	..	..	26.48	31.15	5.08	6.95	0.61	..	0.14	70.41
1923 ..	..	0.05	..	0.02	..	7.19	43.26	8.72	18.32	..	..	..	77.56
1924 ..	..	..	..	..	..	7.46	16.73	15.43	12.13	0.06	0.38	..	52.19
1925 ..	..	..	..	..	2.76	27.86	8.38	7.71	3.52	0.22	0.37	..	50.82
1926 ..	2.99	..	..	..	0.10	6.19	30.88	22.21	8.98	1.29	..	..	72.64
1927 ..	..	0.04	0.03	..	..	32.52	16.85	6.74	5.33	7.30	5.48	0.09	74.38
1928 ..	..	0.01	..	..	..	27.71	30.93	16.65	9.91	0.43	0.09	..	85.72
1929 ..	0.63	..	0.02	0.04	..	25.45	16.08	6.08	5.58	4.82	0.22	0.86	59.70
1930 ..	..	..	..	..	0.02	26.71	10.26	6.64	43.85	2.50	..	..	89.98
1931 ..	..	..	..	0.01	..	6.08	47.50	23.71	4.48	13.07	2.40	0.69	97.94
1932 ..	..	..	..	..	..	10.62	35.30	6.96	11.13	9.01	0.01	..	73.03
1933 ..	..	..	..	..	2.85	10.29	14.13	18.81	12.31	3.04	0.01	0.93	62.37
1934 ..	..	..	..	..	..	28.51	21.40	14.00	5.90	0.20	3.80	..	73.81
1935 ..	..	..	..	..	..	27.69	24.10	16.69	11.90	1.04	0.18	..	81.60
1936 ..	..	..	..	..	0.33	32.63	8.09	9.27	5.72	0.01	2.31	..	58.36
1937 ..	..	0.50	..	0.10	..	18.32	30.40	5.40	14.20	1.70	..	..	70.62
1938 ..	..	..	..	..	1.29	31.30	16.00	16.77	10.35	15.17	1.13	..	92.01
1939 ..	..	..	..	..	..	4.67	33.07	10.88	5.39	0.17	..	..	54.18
1940 ..	..	..	..	..	..	29.98	21.03	28.27	11.26	4.89	0.76	..	96.19
1941 ..	..	..	..	..	..	12.20	9.96	5.93	6.03	1.62	..	..	35.74
1942 ..	..	..	..	..	..	27.39	32.36	8.23	13.45	..	..	0.29	81.72
1943 ..	0.28	..	..	..	6.02	30.19	29.62	3.28	8.15	3.77	0.04	..	81.35
1944 ..	..	..	0.07	..	0.20	9.47	45.56	16.32	1.68	0.80	..	..	74.10
1945 ..	0.82	..	..	..	..	24.36	31.87	26.10	6.16	0.70	0.37	..	90.38
1946 ..	..	..	..	..	0.23	21.61	16.29	15.23	17.90	0.81	6.46	0.61	79.14
1947 ..	..	..	..	2.52	..	3.61	22.03	20.56	25.45	2.92	..	..	77.09
1948 ..	0.34	..	..	..	..	8.78	27.16	17.03	11.78	2.11	4.54	..	71 74

WORKING CLASS COST OF LIVING INDEX NUMBERS IN BOMBAY.

For purpose of record there is set out below a table giving the working class cost of living index numbers in Bombay for the years 1939 to 1948.

Average Prices for the year ended June 1934=100.

Months	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
January ..	105	114	117	137	203	238	229	242	267	271
February ..	104	112	119	135	205	230	229	243	263	276
March ..	103	110	119	137	208	226	225	247	269	284
April ..	103	110	121	138	225	231	226	248	270	291
May ..	103	111	122	142	227	235	230	249	271	292
June ..	104	111	122	152	235	236	235	259	278	307
July ..	105	113	126	168	236	241	240	268	274	312
August ..	105	114	131	168	238	250	243	267	284	321
September	106	112	129	170	245	239	240	270	299	323
October ..	108	113	125	172	248	239	242	264	296	315
November..	109	113	126	178	248	242	242	272	287	317
December ..	113	115	129	188	247	236	242	279	285	326

List showing the various Statistical Returns and other their respective

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250 0 0	25 0 0	3 2 0	6 0 0	0 8 0	
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37 8 0	..	3 2 0	..	..	
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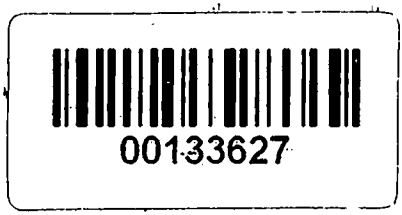
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